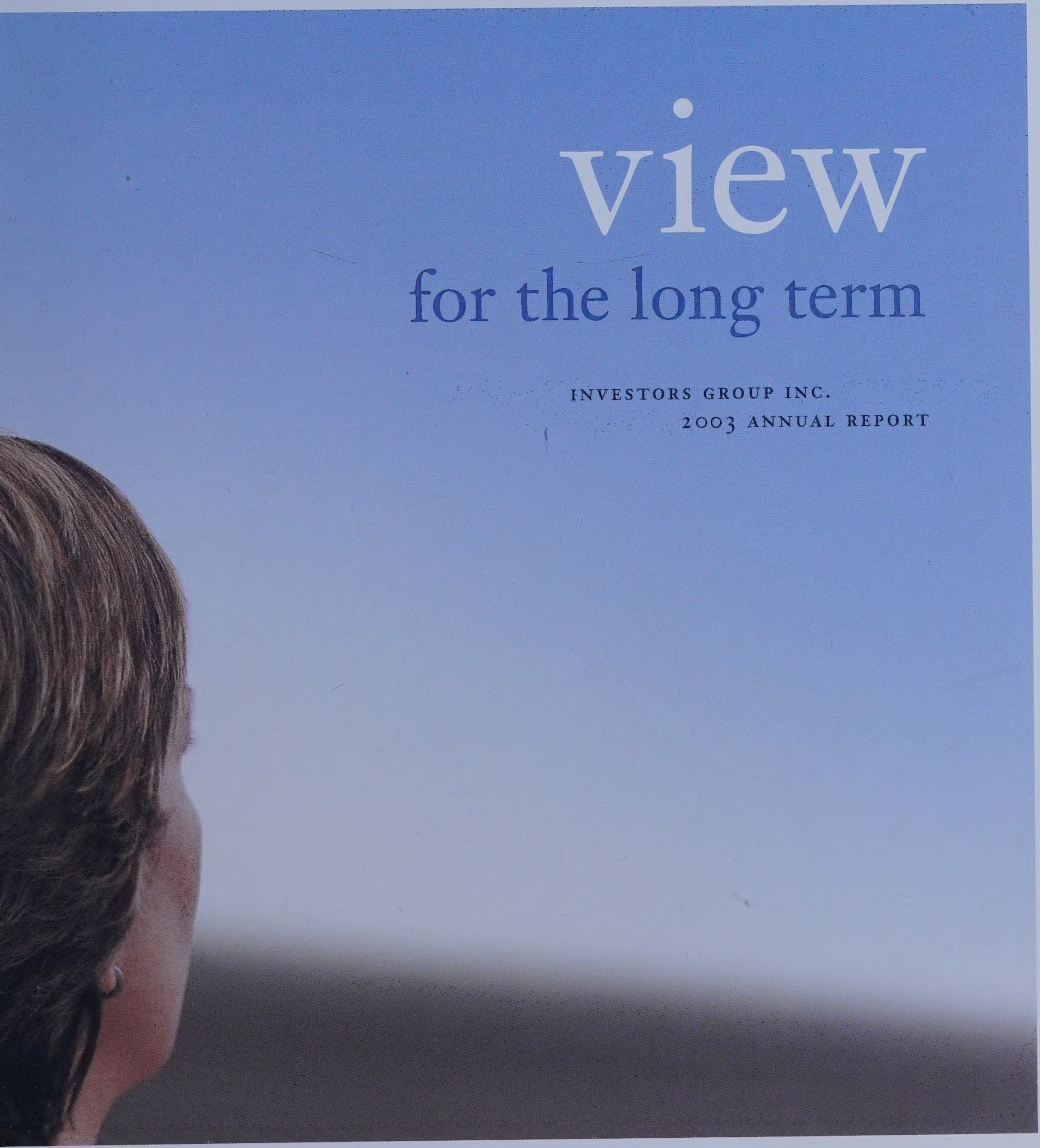
view
for the long term

INVESTORS GROUP INC.
2003 ANNUAL REPORT



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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future Company action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, catastrophic events, and the Company's ability to complete strategic transactions and integrate acquisitions. We caution that the foregoing list of important factors is not exhaustive. The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. The Company has no specific intention to update any forward-looking statements whether as a result of new information, future events or otherwise.

NON-GAAP FINANCIAL MEASURES

This report may also contain non-GAAP financial measures. Terms by which non-GAAP financial measures are identified include but are not limited to "Net income, diluted earnings per share and return on common equity excluding a dilution gain, a reversal of restructuring costs and a non-cash income tax charge related to increases in Ontario tax rates", as well as "Earnings before interest, taxes, depreciation and amortization (EBITDA)". Non-GAAP financial measures are used to provide management, investors and investment analysts with additional measures to assess earnings performance.

However, these non-GAAP financial measures do not have a standard meaning and are not directly comparative to similar measures used by other companies and may not be directly comparable to any prescribed GAAP measure. Please refer to the appropriate reconciliations of these non-GAAP financial measures to measures prescribed by GAAP.

View for the long term

Whether advising our clients or building our business, our actions are guided by a long-term view. It provides perspective on the present and a basis of strength and confidence for the future.

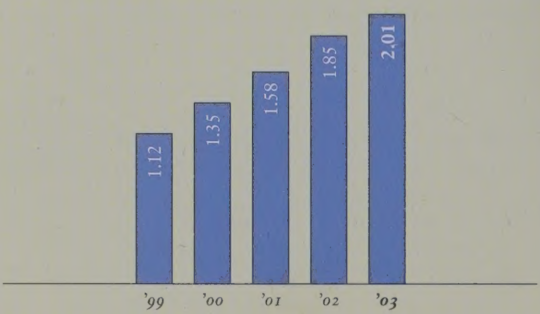
Investors Group Inc.

Investors Group Inc. is one of Canada's premier personal financial services companies and the country's largest manager and distributor of mutual funds and other managed asset products. With over two million clients and $75 billion in mutual fund assets under management, Investors Group Inc. holds a strong leadership position in the financial services industry. The Company's two operating units, Investors Group and Mackenzie Financial Corporation, offer their own distinctive products and services through separate advice channels encompassing over 43,000 consultants and independent financial advisors. Investors Group Inc. is a member of the Power Financial Corporation group of companies, and its shares are listed on the Toronto Stock Exchange (IGI).

2003 Highlights

- Net income available to common shareholders increased by 8.6% over 2002 to $534 million.(1)
- Earnings per share increased by 8.6% over 2002 to $2.01.(1)
- Target of $100 million in shareholder and unitholder synergies between Investors Group and Mackenzie achieved on schedule.
- Consolidated non-commission expenses were reduced by 7.7% from 2002 levels.
- Combined mutual fund assets under management were $74.7 billion at December 31, 2003, representing 17.0% of total industry assets.
- Participated in Great-West Lifeco Inc.'s acquisition of Canada Life by purchasing $100 million in common shares of Great-West Lifeco Inc.

INVESTORS GROUP INC.
EARNINGS PER SHARE
For the financial year ($)



2001 excludes goodwill amortization and Mackenzie restructuring costs.(1)

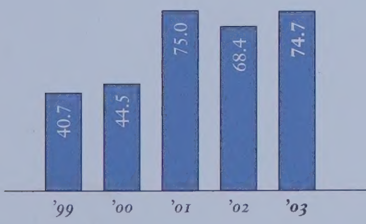
2003 excludes dilution gain, restructuring reversal related to Mackenzie and income tax charge.(1)

(1) *Refer to page 23 of the Management's Discussion and Analysis (MD&A) for an explanation of non-GAAP financial measures.*

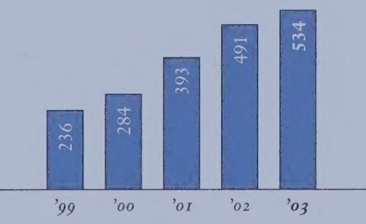
Financial Highlights

	2003	2002	CHANGE
Net income available to common shareholders *($ millions)*			
Excluding dilution gain, restructuring reversal and income tax charge[1]	$ 533.5	$ 491.1	8.6%
Including dilution gain, restructuring reversal and income tax charge	539.1	491.1	9.8
Diluted earnings per share			
Excluding dilution gain, restructuring reversal and income tax charge[1]	2.01	1.85	8.6
Including dilution gain, restructuring reversal and income tax charge	2.03	1.85	9.7
Return on equity			
Excluding dilution gain, restructuring reversal and income tax charge[1]	18.9%	19.2%	
Including dilution gain, restructuring reversal and income tax charge	19.1%	19.2%	
Dividends per share	0.99	0.86	15.1
($ millions)			
Mutual funds			
Investors Group			
Sales	$ 4,021	$ 4,916	(18.2)%
Net sales (redemptions)	(839)	(109)	N/M
Assets under management	40,904	37,588	8.8
Mackenzie Financial Corporation			
Sales	5,282	5,998	(11.9)
Net sales (redemptions)	(69)	288	(124.1)
Assets under management	33,770	30,860	9.4
Combined mutual fund assets under management	74,674	68,448	9.1
Insurance in force *(face amount)*	31,307	27,546	13.7
Securities operations assets under administration	5,785	4,938	17.2
Mortgages serviced	6,425	6,938	(7.4)
Deposits and certificates	729	709	2.9
Consultants	3,223	3,324	(3.0)%
Employees	3,078	3,285	(6.3)
Financial Planning Centres	111	107	3.7

MUTUAL FUND ASSETS UNDER MANAGEMENT
As at December 31 ($ billions)



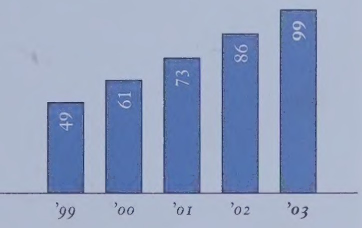
NET INCOME
For the financial year ($ millions)



2001 excludes goodwill amortization and Mackenzie restructuring costs.[1]

2003 excludes dilution gain, restructuring reversal related to Mackenzie and income tax charge.[1]

DIVIDENDS PER SHARE
For the financial year (cents)



[1] ***Non-GAAP Financial Measures***
Refer to page 23 of the Management's Discussion and Analysis (MD&A) for an explanation of the Company's use of non-GAAP financial measures.

Plan the Future

From our position of leadership and strength, we are building our future in the personal financial services market today. We are committed to providing excellence, quality and value to our clients and to the advisors and consultants who serve them. We understand that it is only through meeting this commitment that we will continue to deliver strong financial returns to our shareholders over the long term.

Report to Shareholders

Financial markets around the world recorded sharply improved performance over much of the year, after an extended period of weakness. Clients who took a long-term view of their investments these past few years were indeed well rewarded in 2003.

FINANCIAL RESULTS

The attractive investment returns experienced by clients in 2003 were, however, slow to translate into renewed client confidence. Flows into the Company's mutual fund and other asset management products did not begin to show signs of improvement until very late in the year.

Investors Group Inc. nonetheless recorded another strong year of financial results in 2003. Despite average mutual fund asset levels which were 4.4% lower than in 2002, net income attributable to common shareholders for the year ended December 31, 2003, excluding the items noted below, was $533.5 million compared to $491.1 million in 2002. Earnings per share on this basis were $2.01 compared to $1.85 in 2002, an increase of 8.6%.

Net income excludes :

- a dilution gain of $14.8 million resulting from the reduction in the Company's percentage ownership of Great-West Lifeco Inc. related to their acquisition of Canada Life;
- the reversal of $24.8 million ($15.6 million after-tax) of restructuring costs related to the Mackenzie acquisition; and
- a non-cash income tax charge of $24.8 million related to the impact of increases in Ontario income tax rates on the future income tax liability related to indefinite life intangibles.

Net income attributable to common shareholders for the year ended December 31, 2003 including these items was $539.1 million and earnings per share were $2.03.

Lower fee revenue in 2003 was offset by several factors, with lower costs being the most significant of these. The expense performance was the result, in part, of the Company's two operating units – Investors Group and Mackenzie Financial Corporation – working together to achieve the synergy targets which were established two years earlier at the time of the Mackenzie acquisition. The lower expense levels were also the result of the Company's ongoing cost containment efforts and lower commission levels. Higher net investment income and lower taxes were other factors which contributed to the increase in earnings.

Dividends increased for the fourteenth consecutive year, rising 13 cents to 99 cents per share.

2003 PRIORITIES

The Company's activities and decision-making are guided by a long-term view of our industry and our business. The future prospects for advice-based financial services in Canada is positive, and the Company seeks to utilize its advantages of scale, strong brands, multiple distribution channels and financial strength to establish and maintain a leadership position well into the future.

A number of important changes and strategic investments were made in the Company's operations to enhance the competitiveness of the products and services offered by Investors Group and Mackenzie. These included:

- A realignment of Investors Group's pricing structure and consultant compensation, along with improved strategic investment planning tools to assist consultants in the construction of client portfolios.
- The continued enhancement of Mackenzie's mutual fund product shelf, including new product introductions, sub-advisory relationships and the recruitment of key portfolio management and asset allocation personnel.
- The introduction of banking products and services for Investors Group in conjunction with National Bank of Canada.

The Company seeks to utilize its advantages of scale, strong brands, multiple distribution channels and financial strength to establish and maintain a leadership position well into the future.

These enhancements were achieved while the Company's management and personnel also focused on the three specific priorities which had been established for the year, being:

- pursuing opportunities created by the Mackenzie acquisition;
- growing the level of assets under management; and
- managing expenses prudently.

MACKENZIE OPPORTUNITIES

The Company surpassed its goal of achieving $100 million in annual cost and revenue opportunities flowing from the Mackenzie acquisition during the second quarter. Prior to year end, the Company also successfully completed one of the largest projects undertaken as part of the transition process – the move to a single mutual fund unitholder administration system for Investors Group and Mackenzie which preserves the integrity and privacy of each company's client base. This was the single biggest systems conversion ever in the mutual fund industry, and the resulting scale will provide numerous advantages in the years to come.

While the targeted synergies have been realized, the Company will continue to focus on a number of opportunities between Investors Group and Mackenzie for product and service enhancements and operating efficiencies in a number of areas.

GROWTH IN ASSETS

The strength of the financial markets resulted in higher mutual fund assets on a consolidated basis at the end of 2003 versus the levels at the start of the year. Mutual fund assets were $74.7 billion at year-end, up 9.1%.

EXPENSE MANAGEMENT

The Company continued to focus on expense management measures beyond the cost-reduction opportunities created by the transition activities. These measures were designed to gain efficiencies and reduce expenditures without affecting the quality of service we provide to clients, consultants and advisors. Through prudent management, non-commission expenses were reduced by 7.7% or $41.2 million relative to the prior year.

A number of important changes and strategic investments were made in the Company's operations to enhance the competitiveness of the products and services offered by Investors Group and Mackenzie.

We enter 2004 as an even stronger company, confident in our ability to manage change in a positive and effective manner.

PURCHASE OF GREAT-WEST LIFECO INC. COMMON SHARES

During 2003, Investors Group Inc. supported Great-West Lifeco in its acquisition of Canada Life by purchasing $100 million of common shares issued as part of the financing of the transaction. The Company believes the acquisition of Canada Life is attractive to Great-West Lifeco from both a strategic and financial perspective.

BOARD OF DIRECTORS

Retiring from the Board in 2003 were H. Sanford Riley and The Honourable P. Michael Pitfield. Mr. Riley was a Director of the Company from 1992 to 2003, President and Chief Executive Officer from 1992 until 2001, and Chairman of the Board from 2001 until 2002. The Honourable P. Michael Pitfield served as a Director of the Company since 1986. We wish to thank Mr. Riley and Mr. Pitfield for their contributions to the Company over the years.

The Board of Directors wishes to thank our many employees and the consultants and advisors with whom we partner for their continued efforts, support and commitment, and without whom the Company's success would not be possible.

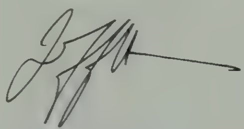
LOOKING TO THE FUTURE

The priorities for 2004 will build upon those of the past several years. We will place an even greater emphasis upon pursuing growth opportunities, while remaining conscious of the need to remain focused on cost-competitiveness.

We enter 2004 as an even stronger company, confident in our ability to manage change in a positive and effective manner.

We are committed to providing excellence, quality and value to our clients and the advisors and consultants who serve them. We understand that it is only through meeting this commitment that we will continue to deliver strong financial returns to our shareholders over the long term.

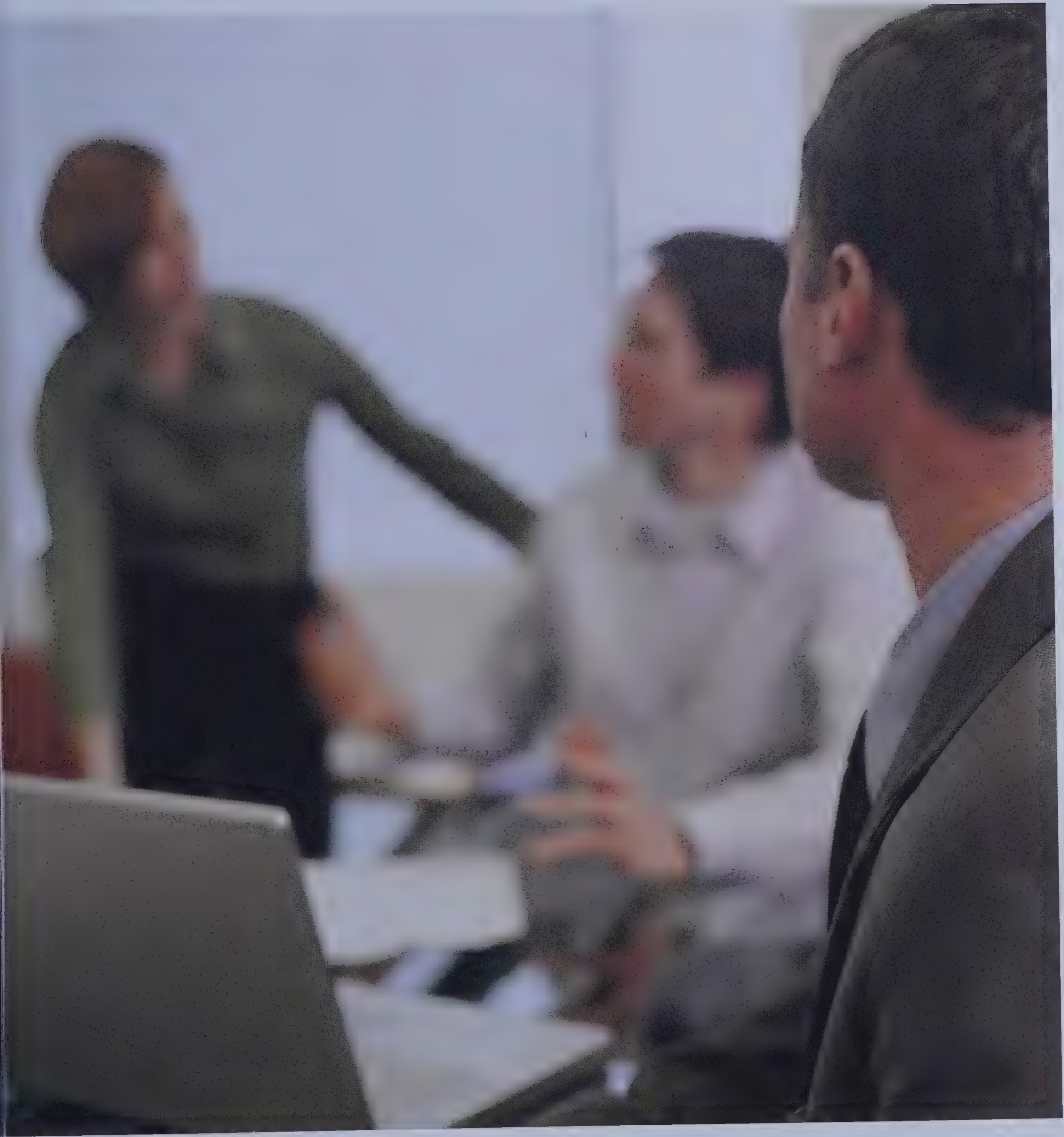
On behalf of the Board of Directors,



R. Jeffrey Orr
President and Chief Executive Officer
Investors Group Inc.
January 30, 2004

Invest Wisely

With experience and discipline, we invest wisely for our clients. We also invest wisely in our most valuable asset, our people. Investors Group understands that our clients' success is dependent on the skill, talent and expertise of our Consultants and the many professionals who support them. That is why we invest wisely in financial planning tools, training and support to keep our people at the forefront of their profession. These investments pay significant dividends to our clients and Investors Group over the long term.



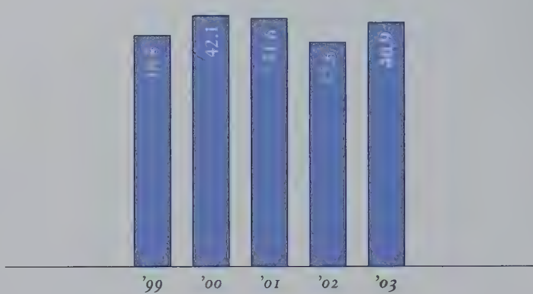
Investors Group

Investors Group, through a network of over 3,200 Consultants nationwide, provides personal financial solutions to close to one million Canadians from coast to coast. Clients receive comprehensive financial planning advice and service including investment, retirement, tax and estate planning. Investors Group has top quality investment management with global operations in Winnipeg, Toronto, Montreal, Dublin and Hong Kong and offers a full range of investments through its Investors Masterseries™ and third-party advised funds, along with a broad selection of insurance, securities, banking and mortgage products and services.

2003 Highlights

- Introduced Symphony™ – Investors Group's new strategic investment planning program.
- Launched Solutions Banking† products and services in conjunction with National Bank of Canada.
- At year-end, 40% of Investors Masterseries™ mutual funds had a four or five star Morningstar† rating and 74% had a rating of three stars or better, both significantly higher than the Morningstar† universe.
- Improved the pricing structure for mutual fund products and enhanced compensation and technology platform for Consultants.
- Securities operations assets under administration increased by 22% and mortgage originations increased by 19% over 2002.

CONSULTANT MUTUAL FUND ASSETS UNDER MANAGEMENT
As at December 31 ($ billions)



Investors Group™

SOLUTIONS BUILT AROUND YOU.™

The year 2003 was an eventful one for Investors Group as we significantly strengthened our company and laid the foundation for even stronger growth in the future. While we made further progress in areas of opportunity with Mackenzie and continued to manage expenses, we also improved our offering to Consultants, increased the competitiveness of our product pricing and strengthened our ability to deliver strategic investment planning to our clients.

Investors Group's focus was firmly on execution during the year as several significant projects and initiatives were completed which will have a positive effect on the business going forward. These include:

- An improved pricing structure that better recognizes the value of our offering and strengthens our competitive position.
- More effective, personalized financial solutions for clients through a new strategic investment planning process called Symphony™.
- Improvements to strengthen the competitiveness of our Consultant and field management compensation, recognition and support, which will enhance retention and recruitment.
- An upgrade of the Investors Group Advantage™ technology platform for Consultants, with new hardware designed to increase productivity.
- The move to a common mutual fund unitholder record-keeping system which preserves the integrity and privacy of each company's client base, one of the largest projects to emerge from the Mackenzie acquisition.

These changes will strengthen our organization by enhancing the advice we provide our clients and the support we provide our Consultants.

INVESTING IN CLIENT RELATIONSHIPS

For over 75 years, Investors Group has built strong client relationships through personal financial planning. Our Consultants invest their time and expertise to create suitable financial solutions that meet our clients' individual needs, and we provide a comprehensive selection of financial products, services and advice to support them in this endeavour.

Investors Group invests heavily in its Consultants and provides them with extensive training and

support. They examine the client's long-term goals and tolerance for risk, and recommend balanced, diversified and professionally managed investment portfolios, while providing knowledgeable advice on retirement planning, tax planning and estate planning.

The value of this approach was evident in 2003, as the many clients who took a long-term view and stayed true to their investment objectives during the prolonged bear market were rewarded with attractive returns.

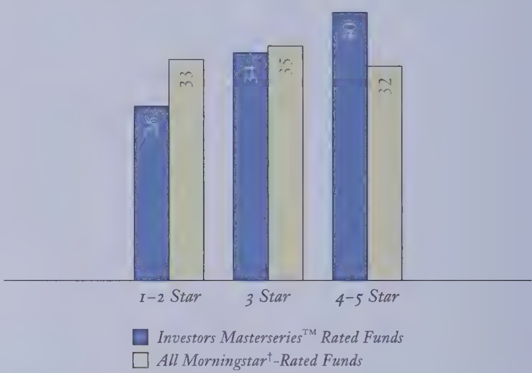
INVESTING IN PRODUCTS, SERVICES AND SUPPORT

Investors Group made further investments in its products and services in 2003, resulting in additional enhancements to their quality and selection.

Investors Group's mutual funds continue to provide clients with excellent investment performance. At year-end, 40% of Investors Masterseries™ mutual funds had four or five star ratings from the independent Morningstar† service, and 74% had a rating of three stars or above, both significantly higher than the Morningstar† universe and consistent with results from the past several years.

In August, Investors Group adjusted the fundamental investment strategy for seven of its 1World™ portfolio funds to more effectively diversify their investments according to the Symphony™ strategic investment planning approach. They are now known as the Allegro™ Portfolios. Also during the year, I.G. Investment Management, Ltd. and Mackenzie Financial Corporation took on additional fund advisory duties and Waddell & Reed Ivy Investment Company and J.P. Morgan Fleming Asset Management (Canada) Inc. were added as sub-advisors to certain funds and equity pools.

MORNINGSTAR† RATINGS – MASTERSERIES™
As at December 31, 2003 (% of funds)



(Source – Morningstar†)

During the second quarter, Investors Group launched Solutions Banking†, a private label banking offer in conjunction with National Bank of Canada. The offer consists of a suite of 17 deposit, lending and credit insurance products, including credit cards, debit cards, cheques and online banking through the Investors Group website.

The introduction of banking products and services expands Investors Group's financial planning platform to address an even broader scope of our clients' financial needs.

2003 RESULTS

Market appreciation resulted in growth in assets under management in 2003, and although mutual fund sales were weak throughout the industry, the non-mutual fund side of the business continued to experience strong growth in a number of areas.

Mutual Funds

- Assets under management were $40.9 billion in 2003, up 8.8% from $37.6 billion in 2002.

- Gross sales through Investors Group's Consultant Network were $4.0 billion in 2003, compared to $4.9 billion in 2002.
- The redemption rate on long-term funds was 10.7% in 2003 compared to 10.2% in 2002, significantly lower than the industry average.
- Net redemptions through Investors Group's Consultant Network were $839 million.

Insurance

- Sales of insurance products were $31.5 million for the year compared to $32.6 million in 2002.

Securities

- Assets under administration increased by 22.4% during the year.
- External assets gathered totaled $894 million in 2003 compared to $1.2 billion in 2002.

Mortgages

- Mortgage originations were $838 million in 2003, up 19.4% from 2002.

Banking

- Solutions Banking† was launched in the second quarter of 2003.

INVESTING IN THE COMMUNITY

Investors Group was proud to maintain our commitment to the communities in which our Consultants and clients live and work. Through the Investors Group Community Investment Program and in partnership with our Consultants and employees, we contributed financial resources and substantial volunteer support in 2003 to projects and organizations across Canada. For the second consecutive year, Investors Group was named the winner of the Imagine Mutual Fund Community Investment Award in recognition for our organization's commitment to the community.

HERB CARNEGIE AWARD

In 2003, we instituted the Herbert H. Carnegie Community Service Award, which will be awarded to one Consultant each year who has demonstrated a long-term involvement in community service, combined with business success. This award is named after Herb Carnegie, an Investors Group Consultant who served his clients for 32 years, and founded the Future Aces Foundation to assist youth in their development. Herb was recently awarded the Order of Canada for his service to others.

INVESTING IN OUR FUTURE

Going into 2004, Investors Group is a stronger and more focused organization. There is a greater sense of optimism in the financial markets, and that optimism is beginning to be shared by an increasing number of our clients and potential clients.

The investments we made in our people, our platform and our operations over 2003 have made Investors Group even more competitive. With our efforts focused on growth in 2004, we will continue to prudently manage our expenses and work with Mackenzie and the other members of the Power Financial group of companies – Great-West Life, London Life and Canada Life – to make each of our operations more effective and efficient.

The year ahead will be about building a thriving business, which will benefit our clients, Consultants, employees and the Company.

R. Jeffrey Orr
President and Chief Executive Officer
Investors Group Inc.

Seize Opportunity

The Mackenzie portfolio of financial products is distinguished as one of the most innovative and unique in the industry. This, combined with strong marketing, educational and service support, has made Mackenzie one of Canada's leading companies serving independent financial advisors. From its position of strength, Mackenzie takes the long view, recognizing market opportunities for tomorrow and developing innovative products and services to capture those opportunities for investors today.

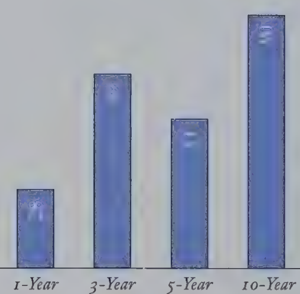
Mackenzie Financial Corporation

Mackenzie Financial Corporation is a multi-faceted investment management and financial services corporation founded in 1967. At December 31, 2003, Mackenzie had $38.3 billion in assets under management and administration and more than one million clients. Mackenzie mutual funds are sold through relationships with nearly 40,000 independent financial advisors across Canada. Under the Mackenzie brand, the Mackenzie family includes Cundill, Ivy, Keystone, Maxxum, Sentinel, Select Managers and Universal.

2003 Highlights

- At the Canadian Investment Awards Gala in December 2003, Mackenzie won eight awards for the second consecutive year, including Peter Cundill's "Analysts' Choice Fund Manager of the Year" and Chief Investment Strategist Fred Sturm's second consecutive award for "Specialty Fund of the Year."
- During 2003, Mackenzie had more five star rated funds, as rated by Morningstar†, than any other mutual fund company in Canada.
- At December 31, 2003, 90.1% of Mackenzie's mutual fund assets were in the first or second quartile on a ten-year performance basis.
- During 2003, Mackenzie had gross sales of $5.3 billion, the highest in the independent advice channel of the industry, and net sales of long-term funds of $209 million.

FUND PERFORMANCE
As at December 31, 2003 (%)



% of Assets in the 1st and 2nd Quartiles

(Source – BellCharts)

Mackenzie MUTUAL FUNDS*

The positive market performance in 2003 was a welcome development for Mackenzie's business and for our entire industry. As investor confidence returns with the market, Mackenzie's depth of talent and innovative products will stand out and should be rewarded with both market share and sales.

The return of market momentum will be very positive for shareholders and fund investors. Expenses continue to be a concern for independent financial advisors and investors and we are managing costs and carefully seeking efficiencies for all stakeholders. In 2003, Mackenzie's contribution to Investors Group Inc.'s earnings from operations before interest and taxes increased to $221.4 million from $217.9 million in 2002. Just as important, we generated $3 billion in market returns for investors in our mutual funds.

Mackenzie management also continued to pursue synergy goals among its affiliated organizations within the Power Financial group of companies. Together, we exceeded the stated goal for shareholder and unitholder synergies of $100 million in 2003. We believe that additional opportunities will continue to be achieved within the group.

As one example, in November 2003 we completed the transfer of Investors Group's mutual fund unitholder systems to Mackenzie's industry leading software platform. This conversion will significantly reduce future unitholder costs as both Mackenzie and Investors Group now maintain only one world-class software platform which serves two separate and distinct fund administration teams. One of the key features of the software is its secure multi-company capability which preserves the integrity and privacy of each company's client base.

The rising markets of this past year are good news, but we are still operating in a highly competitive environment. For this reason, we have been unrelenting in adding to our already strong team of investment managers. During 2003 we added to our pool of talent with the arrival of two-time Canadian Fund Manager of the Year Ian Ainsworth and his colleague Mark Grammer. Peter Dawkins, former Managing Director of Institutional Equity Research at a major Canadian bank-owned brokerage firm, was hired as Chief Investment Officer and Karen Bleasby, Chief Investment Officer of a former competitor joined us to work on quantitative and

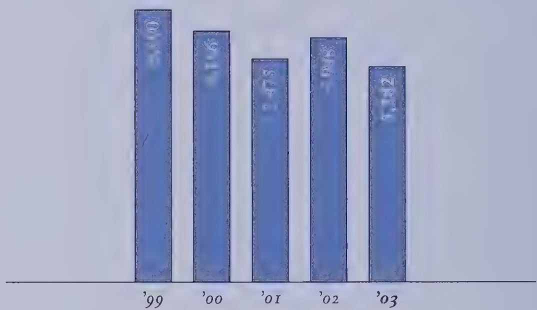
asset allocation products. We also appointed very accomplished managers from the U.S. firm of Waddell & Reed Ivy Investment Company to sub-advise assets in several of our funds.

The business of Mackenzie is to provide investment solutions and products to independent financial advisors and their clients. Accordingly, industry-leading investment results are a fundamental focus of our company. We believe investment results are the number one critical success factor in our segment of the industry. The following points illustrate the strength of Mackenzie's team:

- Throughout the year we had more five star Morningstar† funds than any other Canadian mutual fund company.
- 90.1% of Mackenzie's mutual fund assets were in the first or second quartile on a ten-year basis at December 31, 2003.
- At the Canadian Investment Awards Gala for 2003, Mackenzie won eight awards for the second consecutive year, including Peter Cundill's "Analysts' Choice Fund Manager of the Year" and Chief Investment Strategist Fred Sturm's second consecutive award for "Specialty Fund of the Year".
- Among our managers Peter Cundill, Jerry Javasky and Ian Ainsworth, one of these Mackenzie fund managers has won the industry's most prestigious "Analysts' Choice Fund Manager of the Year" award five of the last six years – a record of which we are especially proud.

The skills and expertise of our marketing and sales group were also demonstrated with the winning of the "Print Advertising Award" for the "Some people are lucky, for the rest of us it takes planning" campaign.

SALES OF MUTUAL FUNDS
For the financial year ($ millions)



Our marketing team completed a major repositioning initiative to properly showcase our fund brands within the Mackenzie corporate identity. This approach allows us to promote our corporate name and integrate separate fund brands with distinct service concepts such as our group RRSP business and Private Client services for independent financial advisors and their clients.

In 2003, Mackenzie had gross sales of $5.3 billion, the highest in the independent advice channel of the industry. This led to $209 million in net sales for long-term funds, a result that was among the best for major independent fund companies. We continue to support, train and maintain a wholesale fund sales force which independent financial advisors rate as the best in the industry.

Our track record in product development and innovation continued at an active pace in 2003. For example, we have focused on improving the tax planning opportunities and the tax deferral available from Mackenzie's new, improved Capital Class Funds. With the launch of RRSP Canadian content eligibility and other products soon to

be introduced, a more tax efficient fund, structured investment product, or income trust would be difficult to find in Canada. The unique new Capital Class structure should be a powerful platform to compete against alternative investment products such as income trusts and closed-end funds. Our new Symmetry product line brings together the best of strategic asset allocation and advice to provide a level of customization not available with most other programs. As part of Mackenzie's proprietary Capital Class structure, Symmetry offers a level of tax optimization unmatched among wrap programs in Canada. The structure enhances the tax deferral attributes of certain fund classes for investors who wish to compound their investment tax-free until such time as they dispose of their investment. The product is also useful for investors and their families who require tax efficient current income.

Mackenzie also introduced two new fund brands in 2003: Sentinel and Select Managers*. Sentinel is comprised of fourteen of Mackenzie's existing income funds and Select Managers* is comprised of six of the former Universal Select Managers* funds.

We also launched three CIBC FULPaY† Mackenzie Funds-Linked Deposit Notes during the year. These products provide full protection of the principal and the potential to deliver equity-like returns. Total sales exceeded $100 million in 2003.

We continue to benefit from the support and contribution of our trust and administrative services operations at M.R.S. Trust Company, Multiple Retirement Services Inc., M.R.S. Securities Services Inc. and Winfund Software Corp. Collectively, these firms allow us to internalize revenue, reduce costs and support independent financial advisors.

Looking ahead, the MRS Group of Companies sees significant opportunities to broaden its services and dealer revenue base using its superior technology and low cost multi-dealer mutual fund processing and net settlement systems. In addition, several potential synergies have been identified between MRS's securities business, MRS's mutual fund dealer services business, Winfund's business and various businesses of our sister company, Investors Group. Work is ongoing to capture those synergies and to internalize revenue currently paid to third party software and other service providers.

In summary, we concluded the year with over one million clients across Canada and over $38 billion in assets under management and administration. Mackenzie works with nearly 40,000 independent financial advisors across Canada and has a 7.7% market share among Investment Fund Institute of Canada member mutual fund manufacturers.

Mackenzie has never been in a better position to deliver prosperity and growth. We enjoy a powerful combination of resources within the Power Financial group of companies, an entrepreneurial management team and innovative industry-leading products.

On behalf of our dedicated employees I would like to thank our stakeholders, our Boards of Directors, and our dealers and their independent financial advisors for their outstanding support.

James L Hunter

James L. Hunter
President and Chief Executive Officer
Mackenzie Financial Corporation

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future Company action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, catastrophic events, and the Company's ability to complete strategic transactions and integrate acquisitions. We caution that the foregoing list of important factors is not exhaustive. The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. The Company has no specific intention to update any forward-looking statements whether as a result of new information, future events or otherwise.

Management's Discussion and Analysis

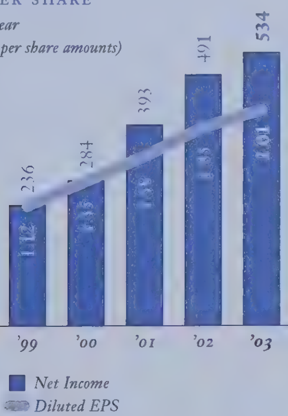
The Management's Discussion and Analysis (MD&A) presents Management's view of the operations and financial condition of Investors Group Inc. (the Company) for the years ended December 31, 2003 and 2002.

Investors Group Inc.
Summary of Consolidated Operating Results

Net income attributable to common shareholders for the year ended December 31, 2003, excluding the items noted below, was $533.5 million compared to $491.1 million in 2002. Earnings per share on this basis were $2.01 compared with $1.85 in 2002, an increase of 8.6%. Net income excludes:

- A dilution gain of $14.8 million recorded in the third quarter resulting from the reduction in the Company's percentage ownership of Great-West Lifeco Inc. (GWL) related to their acquisition of Canada Life.
- The reversal of $24.8 million ($15.6 million after tax) of restructuring costs related to the acquisition of Mackenzie Financial Corporation (Mackenzie) recorded in the fourth quarter of 2003.
- A non-cash income tax charge of $24.8 million recorded in the fourth quarter of 2003 arising from increases in Ontario income tax rates and their effect on the future income tax liability related to indefinite life intangible assets.

NET INCOME AND DILUTED EARNINGS PER SHARE
For the financial year
($ millions, except per share amounts)



2001 excludes goodwill amortization and Mackenzie restructuring costs

2003 excludes dilution gain, restructuring reversal related to Mackenzie and income tax charge

Net income attributable to common shareholders in accordance with Canadian generally accepted accounting principles (GAAP) for the year ended December 31, 2003, which includes the dilution gain, the reversal of restructuring costs, and the non-cash income tax charge noted above, was $539.1 million and earnings per share were $2.03. This compares with net income attributable to common shareholders of $491.1 million and earnings per share of $1.85 in 2002.

Shareholders' equity was $3.22 billion as at December 31, 2003, up from $2.95 billion at December 31, 2002. Return on average common equity was 18.9%, compared with 19.2% in 2002. The quarterly dividend per common share was increased to 25.5 cents in 2003.

NON-GAAP FINANCIAL MEASURES

Net income, diluted earnings per share (EPS) and return on common equity (ROE) for the year ended December 31, 2003 excludes a dilution gain, a reversal of restructuring costs and a non-cash income tax charge related to increases in Ontario tax rates. Net income, EPS and ROE for the year ended December 31, 2001 excludes goodwill amortization and restructuring costs related to the Mackenzie acquisition. Non-GAAP financial measures are used to provide management and investors with additional measures to assess earnings performance. These non-GAAP financial measures do not have standard meanings and are not directly comparable to similar measures used by other companies. Table 1 reconciles non-GAAP results to reported results in accordance with GAAP for net income and earnings per share.

Earnings before interest, taxes, depreciation and amortization (EBITDA) is also a non-GAAP financial measure. EBITDA is an alternative measure of performance utilized by management, investors and investment analysts to evaluate and analyze the Company's results. EBITDA is discussed further on page 42 of the MD&A. This non-GAAP financial measure does not have a standard meaning and is not directly comparable to any GAAP measure or to similar measures used by other companies.

TABLE 1: RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

	2003		2002		2001	
($ millions, except per share amounts)	NET INCOME	EPS	NET INCOME	EPS	NET INCOME	EPS
Non-GAAP results	$ 533.5	$ 2.01	$ 491.1	$ 1.85	$ 392.6	$ 1.58
Dilution gain	14.8	0.05	–	–	–	–
Restructuring reversal (costs), net of tax	15.6	0.06	–	–	(56.0)	(0.22)
Non-cash income tax charge	(24.8)	(0.09)	–	–	–	–
Goodwill amortization	–	–	–	–	(76.9)	(0.31)
GAAP results	$ 539.1	$ 2.03	$ 491.1	$ 1.85	$ 259.7	$ 1.05

REPORTABLE SEGMENTS

The Company's reportable segments, which reflect the current organizational structure, are:

- Investors Group
- Mackenzie
- Corporate and Other

Management measures and evaluates the performance of these segments based on earnings before interest and taxes as shown in Table 2.

Discussion of segment operations for Investors Group and Mackenzie is contained on pages 27 to 40.

Earnings before interest and taxes for Corporate and Other, the segment which represents net investment income earned on unallocated investments and other income reflected higher levels of net investment income and other in 2003 compared to 2002. In addition, 2002 included a $12.2 million charge to income related to the writedown of the Company's investments in mutual funds, in accordance with its accounting policy on securities.

Certain items reflected in Table 2 are not allocated to segments:

- *Restructuring reversal* – following the acquisition of Mackenzie by the Company in the second quarter of 2001, a plan was developed to restructure and exit certain operations of Mackenzie. A restructuring provision of $95.6 million ($56.0 million after tax or $0.22 per share) was recorded in that quarter. In the fourth quarter of 2003 the Company changed its estimate for the restructuring provision required to complete remaining restructuring activities. This change resulted in a $24.8 million ($15.6 million after tax or $0.06 per share) reversal of the restructuring provision in the fourth quarter of 2003.
- *Interest expense* – represents the cost of financing the Mackenzie acquisition and totaled $85.3 million in 2003 compared with $79.5 million in 2002. During 2003, the Company refinanced $275 million of the Bankers' Acceptances related to the Mackenzie acquisition with a portion of the proceeds from the debenture issue in December 2002 and the two debenture issues in 2003. The refinancing resulted in an increase in the effective rate of interest on long-term debt related to the Mackenzie acquisition. However, through this refinancing, the Company solidified a longer term capital structure which increased its financial flexibility. The Company executed this strategy in a low interest rate environment and at a time when corporate issuer spreads were at attractive levels.
- *Dilution gain* – in the third quarter of 2003, Investors Group Inc. purchased $100 million of common shares of GWL which were issued as part of the funding of the Canada Life acquisition by GWL. Investors Group's percentage ownership of GWL was reduced to 4.2%, resulting in a dilution gain of $14.8 million ($0.05 per share).
- *Income taxes* – the effective rate of tax in 2003 was 34.8% compared with 38.4% in 2002. The Company benefited from statutory tax rate reductions, excluding Ontario, in 2003 as well as other tax benefits. These benefits were partially offset by a non-cash charge as a result of the announced increase in Ontario tax rates. In connection with the Mackenzie acquisition in the second quarter of 2001, Investors Group Inc.

valued the indefinite life intangible assets of Mackenzie and allocated a portion of the purchase price to such assets. A future tax liability associated with the assets was estimated based upon future income tax rates substantively enacted at the time. During the fourth quarter of 2003, the Ontario provincial government increased income tax rates in respect of future years and, as a result, the Company increased the estimate of the future tax liability and recorded a $24.8 million ($0.09 per share) non-cash income tax charge. This charge increased the 2003 effective tax rate by 2.9%.

CHANGE IN ACCOUNTING POLICY

As disclosed in Note 1 of the Consolidated Financial Statements, the Company adopted CICA Accounting Guideline 14 (AcG-14) – Disclosure of Guarantees effective January 1, 2003. AcG-14 identifies disclosure requirements for certain guarantees or groups of similar guarantees, even when the likelihood of the guarantor having to make any payments is slight.

TABLE 2: CONSOLIDATED OPERATING RESULTS BY SEGMENT

	INVESTORS GROUP		MACKENZIE		CORPORATE & OTHER		TOTAL	
($ millions)	2003	2002	2003	2002	2003	2002	2003	2002
Fee income	$ 971.6	$ 1,029.6	$ 742.8	$ 783.6	$ –	$ –	$ 1,714.4	$ 1,813.2
Net investment income and other	104.0	100.5	19.9	17.6	35.9	8.5	159.8	126.6
	1,075.6	1,130.1	762.7	801.2	35.9	8.5	1,874.2	1,939.8
Operating expenses								
Commissions	191.3	195.3	284.0	302.2	–	–	475.3	497.5
Non-commission	235.8	254.3	257.3	281.1	1.1	–	494.2	535.4
	427.1	449.6	541.3	583.3	1.1	–	969.5	1,032.9
Earnings before interest and taxes	$ 648.5	$ 680.5	$ 221.4	$ 217.9	$ 34.8	$ 8.5	904.7	906.9
Restructuring reversal							24.8	–
Interest expense							(85.3)	(79.5)
							844.2	827.4
Dilution gain							14.8	–
Income before income taxes and discontinued operations							859.0	827.4
Income taxes							299.2	317.4
Income before discontinued operations							559.8	510.0
Discontinued operations							–	1.8
Net income							559.8	511.8
Preferred dividends							20.7	20.7
Net income available to common shareholders								
Including dilution gain, restructuring reversal and income tax charge (GAAP)							$ 539.1	$ 491.1
Excluding dilution gain, restructuring reversal and income tax charge (1)							$ 533.5	$ 491.1

(1) *Refer to page 23 of the MD&A for an explanation of the Company's use of non-GAAP financial measures.*

SUMMARY OF CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with generally accepted accounting principles in Canada (GAAP) requires management to adopt accounting policies and to make estimates and assumptions that affect amounts reported in the Consolidated Financial Statements. In applying these policies, management makes subjective and complex judgements that frequently require estimates about matters that are inherently uncertain. Many of these policies are common in the mutual fund and other financial services industries; others are specific to the Company's businesses and operations. The Company's general policies are described in detail in Note 1 of the Consolidated Financial Statements. The major critical accounting estimates and related judgements underlying the Company's financial statements are summarized below:

- *Goodwill and intangible assets* – At December 31, 2003, goodwill totaled $2.27 billion and indefinite life intangible assets totaled $860 million as reflected in Note 7 of the Consolidated Financial Statements. Under CICA Section 3062 – Goodwill and Other Intangible Assets, the Company is required to test the fair value of goodwill and indefinite life intangible assets for impairment at least once a year. The Company performs that evaluation during the second quarter each year. These tests involve the use of estimates and assumptions appropriate in the circumstances. The annual impairment testing was completed for 2003 and management determined that no impairment charge was necessary.
- *Income taxes* – The recognition of future tax assets depends on management's assumption that future earnings will be sufficient to realize the future benefit. The amount of the asset or liability recorded is based on management's best estimate of the timing of the realization of the asset or liability.
- *Employee future benefits* – Accounting for pension and other post-retirement benefits requires estimates of future returns on plan assets, expected increases in compensation levels, trends in health care costs, as well as the appropriate discount rate for accrued benefit obligations. These estimates are discussed in Note 10 of the Consolidated Financial Statements.

FUTURE ACCOUNTING CHANGES

As discussed in Note 1 of the Consolidated Financial Statements, during 2003:

- CICA Section 3870 – Stock-Based Compensation and Other Stock-Based Payments, effective January 1, 2004, was amended to require expense treatment of all stock-based compensation and payments at grant date.
- CICA Accounting Guideline 13 (AcG-13) – Hedging Relationships, effective January 1, 2004, established the criteria that must be met in order to apply hedge accounting for derivatives. Changes in the fair value of derivatives that do not qualify for hedge accounting will be recorded in the Consolidated Statements of Income.

These changes are not expected to have a material impact on the financial statements of the Company.

QUARTERLY FINANCIAL INFORMATION

Selected financial information for the eight most recently completed quarters is shown on page 69.

Investors Group
Review of the Business

Investors Group's core business provides a comprehensive range of financial and investment planning services to Canadians through its network of highly trained and well-supported Consultants.

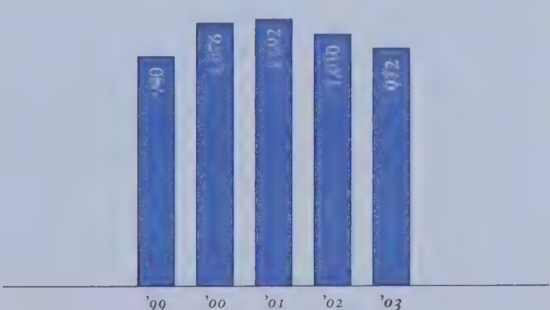
Investors Group earns revenue primarily from:

- Management fees for advising and managing its mutual funds.
- Fees charged to its mutual funds for administrative and trustee services.
- Distribution fees charged to mutual fund account holders.

Fee income is also earned from the distribution of insurance products and securities services. Additional revenue is derived from mortgage, banking and investment certificate operations.

Revenues depend largely on the value and composition of assets under management. By offering a broad range of products and services to meet the varied needs and objectives of individual clients, management believes that the base of assets under management is secure and able to withstand downward pressure caused by market volatility. The effectiveness of this approach has been demonstrated by consistent levels of sales over the long term and by redemption rates for Investors Group's mutual funds that are among the lowest in the industry. For 2003 Investors Group's redemption rate for long-term funds was 10.7% compared to 14.1% for all other members of the Investment Funds Institute of Canada (IFIC).

FEE INCOME – INVESTORS GROUP
For the financial year ($ millions)



SEGMENT STRATEGY

Investors Group continually reviews its strategy to ensure that it is appropriate for both the current financial services environment and any anticipated changes that would affect the industry. We strive to ensure that the interests of shareholders, clients, Consultants and employees are as closely aligned as possible. Investors Group's business model embraces current trends in the Canadian financial services industry and our strategic plan is focused on:

1. Emphasizing the delivery of financial planning advice, products and services through our dedicated network of highly trained and well-supported Consultants.
2. Extending the diversity and range of products offered by Investors Group as we continue to compete effectively by meeting the changing needs of our broad spectrum of clients.
3. Maximizing returns on business investment by:
   - Capitalizing on economies of scale through our relationship with Mackenzie, Great-West Life, Canada Life and London Insurance Group Inc.
   - Controlling expenditures through the management of staffing levels, improved productivity, effective and continual investments in technology, and the management of discretionary expenses.
   - Directing resources to initiatives that have direct benefits to clients and Consultants.

CORE BUSINESS

Consultants

Investors Group distinguishes itself from its competition by offering personal, long-term financial planning to its clients. At the centre of this relationship is a national distribution network of highly skilled Consultants working from 111 Financial Planning Centres across Canada.

At Investors Group we are focused on growing our distribution network through the retention of existing Consultants and the attraction of new industry professionals. This is accomplished through the offering of a comprehensive and state-of-the-art financial planning practice support platform. Management believes that Consultant compensation and the constant evolution of our support services provide one of the best environments in which our Consultants can build their practices – whether they are newly entering the business, or are an experienced Consultant with considerable assets under management.

During the last half of 2003, Investors Group witnessed an improvement in the retention of existing Consultants and in the recruitment of new individuals. This positions us for growth in our distribution network in the future.

Recruiting and retention

Investors Group combines a number of proven interview and testing techniques to identify high quality people who demonstrate a blend of experience, education and aptitude that makes them well suited to a career in financial planning. Although the financial markets and the overall business environment improved in 2003, investor confidence was slow to recover. While this affected our recruitment efforts, our enhancements to the Consultant offering improved our retention levels in the second half of the year as the number of Consultants grew by 37 in that period. The Consultant network grew in both the third and fourth quarters of 2003, the first consecutive quarters of growth since 1998.

At the end of 2003, Investors Group had 3,223 Consultants, compared with 3,324 in 2002. The percentage of Consultants with more than four years experience remained steady at 60.5% compared to 60.9% a year earlier.

Consultant development

Management continues to focus on development of the financial planning industry's premier consultant development system. Each year, the curriculum is reviewed and refreshed to offer all Consultants the essential building blocks they require to develop their individual businesses.

Consultants begin their relationship with Investors Group by attending a five week training program which is designed to combine technical education with field experience. As Consultants progress, they develop their skills as financial planners and business managers by attending a selection of focused educational programs including financial planning skills, product knowledge, client service, sales skills, compliance, technology, practice management and other related topics. Supplemental training, coaching and mentorship are top priorities for the Consultant network's Regional Directors and Division Directors across Canada.

In 2003, Investors Group further enhanced its educational opportunities for established Consultants. New programs were added including the Navigator Practice Management Program, The 8 Best Practices of High-Performing Advisors† Program and TruQuest Strategies†; programs that are focused on helping Consultants take their practices to higher levels of productivity. Access to annual advanced educational conferences featuring internal and external industry-leading professionals was also expanded.

Investors Group also supports industry initiatives to introduce uniform qualification requirements for use of the "financial planner" designation. Enrolment in these programs is encouraged and a policy is in place requiring Consultants to achieve their Certified Financial Planner (CFP) designation, or the equivalent designation in the province of Quebec (Pl. Fin.), by the end of their fifth year with Investors Group.

Productivity

Investors Group implemented a number of significant changes in 2003 designed to enhance the competitiveness of the product and service offering to our clients as well as changes aimed at providing greater value to our Consultants. These included:

- A comprehensive review and realignment of our pricing structure to enhance competitiveness.
- A realignment of our Consultant's compensation and support to be more competitive, including a deferred compensation component designed to promote Consultant retention.
- The introduction of Symphony™, a strategic investment planning tool to assist Consultants in the construction of client portfolios.
- The enhancement of the Investors Group Advantage™ technology platform, which delivers additional flexibility, capability and productivity.
- The introduction of Solutions Banking†, a suite of banking products and services through National Bank of Canada that expands Investors Group's financial planning platform to include a greater proportion of our clients' balance sheets.

Management believes that these initiatives make Investors Group more attractive and competitive to Consultants and potential Consultants, and will lead to greater recruitment, productivity and asset growth into the future.

Products and services

Investors Group is regarded as a leader in personal financial planning in Canada. This is achieved by delivering personal financial solutions tailored to each client's individual needs. Consultants recommend balanced, diversified and professionally managed portfolios that reflect the client's long-term goals and tolerance for risk. They also look beyond investments to offer clients insurance products, banking services, mortgages and tax planning.

Symphony™ – strategic investment planning

In October 2003, Investors Group launched Symphony™, an enhanced strategic investment planning approach. Symphony™ is designed to help Consultants build their business with a sophisticated investment discipline, backed by a process that provides a sound methodology for measuring a client's risk tolerance. Based on that assessment, Consultants are able to provide appropriate risk-adjusted recommendations using Investors Group's extensive offering of funds.

Symphony™ is a scientific and fully integrated approach to strategic investment planning support, from the assessment of a client's risk tolerance and personal investment goals, to the construction and administration of an optimal investment portfolio.

Symphony™ simplifies the asset allocation process and provides Investors Group with a high degree of competitive differentiation. This approach should also provide clients with more predictable and stable investment returns over time.

Mutual funds

Investors Group is committed to enhancing the performance, scope and diversity of our investment products. In 2003, we executed a number of changes to the investment strategy of our portfolio of funds, and made changes to a number of sub-advisory relationships. Discussion of mutual fund activity in 2003 compared with 2002 is presented in the Investors Group Review of Segment Operating Results beginning on page 32.

Investment management

Investors Group has over $40.9 billion in mutual fund assets under management in 147 mutual funds covering a broad range of investment mandates.

Through our own team of investment professionals and relationships with external investment advisors, we provide clients with access to a wide range of investment advisory services. Clients can take advantage of the opportunity to diversify their holdings across fund managers, asset categories, investment styles, geography, capitalization and sectors through portfolios customized to meet their objectives.

Investors Masterseries™ funds

Investors Masterseries™ funds are managed by I.G. Investment Management, our own multi-disciplinary team of investment professionals with offices and advisors in North America, Europe, and Asia. Our global reach, combined with over 50 years of experience, provides us with the depth of investment management capabilities that enables us to offer our clients world class money management expertise suitable for the widest range of investment objectives.

The Investors Masterseries™ family of unit trust funds totals 48 and includes money market, fixed income, balanced, domestic and international equity, global and sector mandates. As at December 31, 2003, total assets related to these funds were $35.0 billion compared with $32.3 billion in 2002, an increase of 8.3%. Masterseries™ funds represented 85.6% of the total Investors Group mutual fund assets under management, down slightly from 86.0% a year ago. At December 31, 2003, 40% of Masterseries™ mutual funds had four or five star ratings from the Morningstar† fund ranking service and 74% had a rating of three stars or better, compared to 47% and 81% respectively in 2002.

During the year, it was announced that effective January 28, 2004, J.P. Morgan Fleming Asset Management (Canada) Inc. would assume responsibility for one Investors Masterseries™ fund previously sub-advised by AIB Govett Asset Management Limited.

Partner funds

Partner funds are an important element of Investors Group's mutual fund product shelf, offering a range of investment disciplines through advisory relationships with other investment management firms.

In 2003, Investors Group continued its relationships with highly regarded investment managers Mackenzie Financial Corporation, AGF Funds Inc., Beutel, Goodman & Company, Ltd., Fidelity Investments Canada Limited, Franklin Templeton Investments Corp., Goldman Sachs Asset Management, and Sceptre Investment Counsel Limited. Additionally, Waddell & Reed Ivy Investment Company was appointed to sub-advise a partner fund previously sub-advised by Janus Capital Management LLC while the mandate of a second Janus fund was assigned to Mackenzie Financial Corporation.

Investors Group oversees external investment advisors who are responsible for ensuring that their activities are consistent with Investors Group's investment philosophy and with the stated investment objectives and strategies of their respective funds.

At December 31, 2003, partner funds totaled $5.1 billion or 12.6% of Investors Group's mutual fund assets under management. Of this amount, Mackenzie currently provides investment advisory services for seven funds with total assets of $1.2 billion.

Investors Group Corporate Class Inc.
Investors Group introduced Investors Group Corporate Class Inc., Canada's broadest tax advantaged fund structure in 2002. This group of funds features no-fee, tax-deferred switching among 46 brand-name funds within the group. The funds include 28 of Investors Group's own Masterseries™ funds advised by I.G. Investment Management as well as funds advised by Mackenzie Financial Corporation, AGF Funds Inc., Beutel, Goodman & Company, Ltd., Fidelity Investments Canada Limited, Franklin Templeton Investments Corp., Goldman Sachs Asset Management and Sceptre Investment Counsel Limited.

In 2003, Waddell & Reed became sub-advisor to a Corporate Class fund previously managed by Janus Capital Management LLC while J.P. Morgan Fleming Asset Management (Canada) Inc. replaced AIB Govett as sub-advisor to a Masterseries™ Corporate Class fund, effective January 28, 2004.

By the end of 2003, the Corporate Class funds had attracted $353 million in assets compared with $143 million in 2002.

Managed asset and multi-manager investment programs
Investors Group provides clients with access to a growing selection of asset allocation opportunities directed by the world's leading money-management firms. These programs include:

- **Allegro™ Portfolios:** The Allegro™ Portfolios provide a single step investment solution offering geographic, investment style and asset class diversification. The seven portfolios include Investors Masterseries™ funds, Mackenzie partner funds as well as a wide variety of other partner funds. The asset mix of the Allegro™ portfolios was updated using the same strategic investment planning approach that was developed for the Symphony™ individual fund recommendations. Since their introduction in 2001 as 1World™ Portfolios (renamed Allegro™ in 2003), these funds have attracted $557 million in assets as of December 31, 2003.
- **Alto™ Portfolios:** The new Alto™ Portfolios provide a single step investment solution offering geographic, investment style and asset class diversification. The seven portfolios include Investors Masterseries™ funds and Mackenzie partner funds. Since their introduction in October 2003, these funds have attracted $17 million in assets as of December 31, 2003.
- **Masterseries™ Portfolios:** This is one of the largest fund programs in Canada with assets of $6.2 billion as at December 31, 2003. The program is comprised of eight funds which invest in 21 underlying Masterseries™ funds to provide maximum diversification.
- ***i*Profile™:** This is a unique portfolio management program introduced in 2001 for clients with assets over $250,000. *i*Profile™ investment portfolios have been designed to maximize returns and manage risk by diversifying across asset classes, management styles and geographic regions. The program is advised by a select group of 12 global money management firms such as Goldman Sachs Asset Management, Jarislowsky Fraser Limited and I.G. Investment Management, Ltd. During 2003, Waddell & Reed, I.G. Investment Management, Ltd. and J.P. Morgan Fleming (effective January 28, 2004) replaced Provident Investment Counsel, Alliance Bernstein and AIB Govett respectively in their sub-advisory services to the *i*Profile™ program. By the end of 2003, this program had attracted $389 million in assets.

Segregated funds
Investors Group offers eight segregated funds that are distributed solely by Investors Group Consultants. Our segregated funds provide death benefit guarantees and potential creditor protection. These funds also provide protection from long-term market volatility by providing two levels of guarantees – 75% or 100% of the principal invested. The investment component of these products is managed by Investors Group while the insurance component is underwritten by The Great-West Life Assurance Company.

Product Pricing
During 2003, Investors Group introduced a revised pricing structure for new investments that better reflects the value of our offering and strengthens our competitive position. These changes align our pricing across Investors Group products and lower our reported management expense ratios (MERs) to levels more competitive with the industry.

The pricing changes include: a new industry standard deferred sales charge schedule; the elimination of the 2.5% acquisition fee for clients investing under $10,000; the reduction of management fees on a number of partner funds; restructured fees on *i*Profile™ and on Allegro™ Portfolios to reflect the value of these packaged products; and a fixed rate service fee on DSC and No-load funds.

Insurance

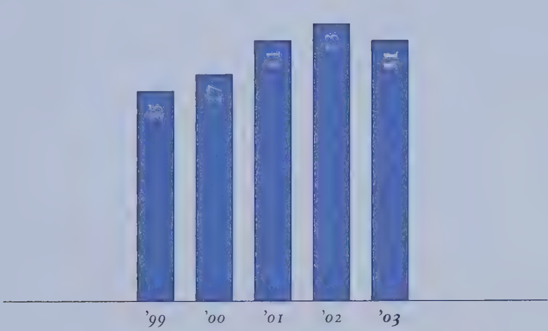
Investors Group continues to be a leader in the distribution of life insurance in Canada. Through its arrangements with leading insurance companies, Investors Group offers a comprehensive range of term, universal life, whole life, disability, critical illness, long-term care, personal health-care coverage and group insurance. I.G. Insurance Services Inc. currently has distribution agreements with:

- The Great-West Life Assurance Company
- The Maritime Life Assurance Company
- Sun Life Assurance Company of Canada
- Clarica Life Insurance Company
- The Manufacturers Life Insurance Company (Manulife)

During 2003, sales of insurance products as measured by annualized premiums were $31.5 million. This is the second-highest level of insurance sales in Investors Group's history. Total face amount of insurance in force increased during 2003 to $31 billion. The average number of policies sold per Consultant was 8.2 in 2003 compared to 7.9 in the prior year. The average number of Consultants with insurance licenses represented 88% of the Consultant network. Distribution of insurance products is enhanced through 41 insurance specialists who assist Consultants with the selection of appropriate insurance solutions.

INSURANCE SALES

For the financial year ($ millions)



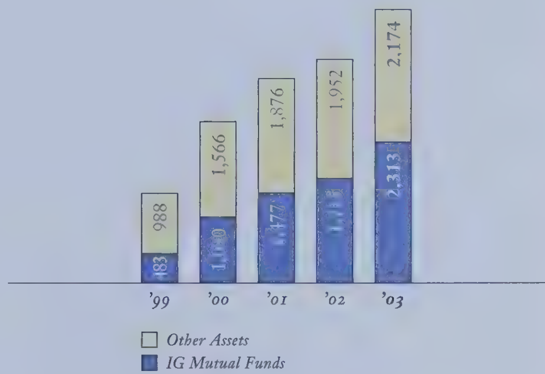
Securities operations

Investors Group Securities Inc. is an investment dealer registered in all provinces and territories providing securities services to clients seeking a broader product offering in combination with financial and investment planning. Investors Group Consultants can refer high net worth clients to one of the 24 securities specialists available through Investors Group Securities Inc.

During 2003, assets under administration in Investors Group Securities Inc. grew by 22.4% to $4.5 billion. The number of clients using this service grew to over 58,700 clients, an increase of 4.7% over 2002. At year-end, 91% of Consultants had referred clients to Investors Group Securities Inc., compared to 90% in the prior year. The assets gathered by Investors Group Securities Inc. during 2003 were $894 million, compared to $1.2 billion in 2002.

INVESTORS GROUP SECURITIES INC. ASSETS UNDER ADMINISTRATION

As at December 31 ($ millions)



Management believes that by continuing to develop and enhance its securities operations, Investors Group will also continue to attract and retain high quality Consultants, deepen relationships with clients and appeal to a growing segment of investors who require these services.

Mortgage operations

Investors Group Consultants play an integral role in sourcing high-quality residential mortgages through client referrals to Investors Group mortgage planning specialists. At December 31, 2003, Investors Group employed 46 mortgage specialists who originate mortgages in key residential markets.

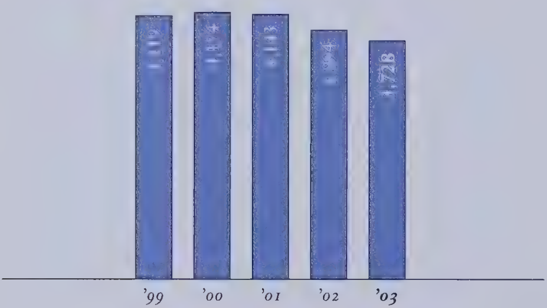
Mortgage originations in 2003 increased 19.4% to $838 million from $702 million in 2002. The proportion of residential mortgages sourced with the assistance of Consultants has remained constant at 88% in 2003. While most of these new mortgages were sold to third parties through Investors Group's mortgage banking operation, the servicing of these mortgages continues to be provided by Investors Group.

Investors Group mortgage operations also provide both origination and servicing to:

- Investors Mortgage Fund, which because of its size requires a steady stream of high-quality mortgages.
- Investors Group Trust Co. Ltd. and Investors Syndicate Limited, both subsidiaries of the Company.
- London Life Insurance Company (London Life), a subsidiary of Great-West Lifeco Inc.

MORTGAGES SERVICED FOR INVESTORS GROUP CLIENTS

As at December 31 ($ millions)



Solutions Banking†

On June 25, 2003 the Company launched Solutions Banking† on a national basis. The wide range of products and services offered under Solutions Banking†, provided by National Bank of Canada under a long-term distribution agreement, include: investment loans, lines of credit, personal loans, creditor insurance, deposit accounts and credit cards. Clients have access to over 1,400 banking machines, as well as a private labeled client website and private labeled client service centre.

Consultant and client response to Solutions Banking† has been favorable. As at December 31, 2003, 44% of Investors Group Consultants have incorporated Solutions Banking† into their financial planning practices with one or more products sold.

The Solutions Banking† offering supports Investors Group's approach to delivering total financial solutions and expands Investors Group's financial planning platform to meet our clients' financial needs.

Additional products and services

Investors Group also provides its clients with guaranteed investment certificates offered by Investors Group Trust Co. Ltd., as well as a number of other financial institutions.

Review of Segment Operating Results

Investors Group's earnings from operations before interest and taxes for the year ended December 31, 2003 compared with 2002 are presented in Table 3.

TABLE 3: OPERATING RESULTS – INVESTORS GROUP

($ millions)	2003	2002	CHANGE
Fee and net investment income			
Management	$ 741.4	$ 787.4	(5.8)%
Administration	138.3	148.6	(6.9)
Distribution	91.9	93.6	(1.8)
Net investment income and other	104.0	100.5	3.5
	1,075.6	1,130.1	(4.8)
Operating expenses			
Commissions	191.3	195.3	(2.0)
Non-commission	235.8	254.3	(7.3)
	427.1	449.6	(5.0)
Earnings before interest and taxes	$ 648.5	$ 680.5	(4.7)%

FEE INCOME

Fee income is generated from the management, administration and distribution of 147 Investors Masterseries™, partner and managed asset investment funds. The distribution of insurance products and the provision of securities services provide additional fee income.

Fee income represented 90.3% of gross revenue in 2003, compared with 91.1% in 2002. Total fee income declined by $58.0 million to $971.6 million, a decrease of 5.6% from 2002. To provide a stable level of fee income, Investors Group must continue to maintain high levels of assets under management. The level of assets under management is influenced by four factors: sales, redemption rates, capital markets and relative investment performance. The changes in assets under management in 2003 compared with 2002 are summarized in Table 4.

For the year ended December 31, 2003, sales of Investors Group mutual funds through its Consultant network were $4.02 billion, a decrease of 18.2% from 2002. This compares to an overall industry decrease in mutual fund sales of 14.3%. Mutual fund redemptions totaled $4.86 billion for the same period, a decrease of 3.3% from $5.02 billion in 2002. Investors Group's redemption rate for long-term funds increased to 10.7% in 2003 from 10.2% in 2002, however it remains well below the corresponding redemption rate of 14.1% for all other members of IFIC. Net redemptions of Investors Group mutual funds were $839 million in 2003 compared with net redemptions of $109 million in 2002. Sales of long-term funds were $3.10 billion in 2003, compared with $3.86 billion in 2002, a decrease of 19.6%. Net redemptions of long-term funds were $855 million compared to net redemptions of $76 million in 2002. Investment management services provided attractive levels of returns during the year as mutual fund assets increased by $4.2 billion or 11.1% of opening assets due to market appreciation, consistent with overall industry growth.

Investors Group earns management fees for investment management services provided to its mutual funds. In 2003, management fee income decreased by $46.0 million or 5.8% to $741.4 million. This decrease in fee income reflects the decline of 4.5% in average daily mutual fund assets in 2003 compared with 2002. In addition, 2002 fee income includes $3.3 million in income from hedging activities related to the Company's mutual fund assets under management.

Investors Group earns administration fees for providing:

- Administrative services to its mutual funds through certain of its subsidiaries.
- Trusteeship services to its mutual funds through Investors Group Trust Co. Ltd.

TABLE 4: CHANGE IN MUTUAL FUNDS ASSETS UNDER MANAGEMENT – INVESTORS GROUP

($ millions)	2003	2002	CHANGE
Sales	$ 4,021.2	$ 4,915.8	(18.2)%
Redemptions	4,860.1	5,024.4	(3.3)
Net redemptions	(838.9)	(108.6)	N/M
Market and income	4,155.0	(3,947.3)	205.3
Net change in assets	3,316.1	(4,055.9)	181.8
Beginning assets	37,588.1	41,644.0	(9.7)
Ending assets	$ 40,904.2	$ 37,588.1	8.8 %
Consists of:			
Investors Masterseries™	$ 35,019.5	$ 32,324.6	8.3 %
IG Mackenzie[(1)]	1,218.5	893.7	36.3
Partner funds	3,924.6	3,877.3	1.2
*i*Profile™ funds	389.0	349.9	11.2
Investors Group Corporate Class Inc.	352.6	142.6	147.3
	$ 40,904.2	$ 37,588.1	8.8 %
Average daily assets	$ 37,980.3	$ 39,773.9	(4.5)%

(1) *On August 1, 2003, mandates for two partner funds with assets totaling $173 million were assigned to Mackenzie.*

Administration fees totaled $138.3 million in 2003, down 6.9% from $148.6 million in 2002. Fees charged to the mutual funds for administrative services declined due to reductions in related expenses. Trustee fees declined due to reduced average mutual fund assets during the year.

Distribution fees are earned from:

- Redemption fees or back-end loads on mutual funds subject to a deferred sales charge. In 2003, Investors Group revised redemption fee rates on mutual fund sales subject to a deferred sales charge. Fees charged range from 5.5% in the first year reducing to nil after seven years and are consistent with industry rates. Previously, redemption fee rates ranged from 3.0% in the first year reducing to nil after six years. This change has not had a significant effect on redemption fee revenues in 2003.
- Distribution of insurance products through I.G. Insurance Services Inc.
- Provision of securities services through Investors Group Securities Inc.

Distribution fee income was $91.9 million in 2003 compared with $93.6 million in 2002. This decrease was due to lower redemption fee income consistent with the decline in redemptions subject to those fees.

NET INVESTMENT INCOME AND OTHER

Net investment income and other includes interest and dividends earned on cash and cash equivalents, securities and mortgage loans. It also includes gains and losses on the sale of securities, Investors Group's share of an affiliate's earnings as well as income related to mortgage banking activities. Investors Group measures net investment income as the difference between investment income and interest expense. Interest expense includes interest on deposit liabilities, certificates and debt, but excludes interest expense on debt incurred to finance its acquisition of Mackenzie.

Net investment income and other totaled $104.0 million, an increase of 3.5% from $100.5 million in 2002. The increase is due principally to the increase in Investors Group's share of GWL's earnings offset in part by lower mortgage banking revenue.

OPERATING EXPENSES

Expenses are made up of two major components: commission and non-commission expenses.

Investors Group incurs commission expense in connection with the distribution of its financial services and products, particularly its mutual funds. Commissions are paid on the sale of these products and will fluctuate with the level of sales. Commission expense in 2003 decreased by $4.0 million or 2.0%, to $191.3 million compared with $195.3 million in 2002. The decrease in commission expense was related to:

- Lower average mutual fund assets under management resulting in lower asset retention bonus expense.
- Lower mutual fund sales in 2003.

Non-commission expenses include: costs incurred by Investors Group in the support of its Consultant network; the administration, marketing and management of its mutual funds and other products; as well as all other expenses in the operation of its business.

Non-commission expenses declined $18.5 million to $235.8 million in 2003 from $254.3 million in the previous year and represents a decrease of 7.3%. This decline was primarily due to:

- The impact of synergies related to the transition work completed with Mackenzie.
- Management of discretionary expenses.
- Improvements in productivity and the benefits derived from continued investment in technology.
- The decrease in average assets on which sub-advisory fees are based.
- Reductions in Consultant network support costs as a result of lower transactional activity levels and a smaller number of Consultants during the year.

Management continues to focus on expense reduction measures beyond the opportunities created by the transition activities. Investors Group has been able to gain these efficiencies and reduce expenses without affecting the quality of service provided to its clients and Consultants.

Mackenzie
Review of the Business

Mackenzie is a multi-faceted investment management and financial services corporation founded in 1967. Mackenzie's core business is the management and administration of mutual funds on behalf of Canadian investors and their financial advisors.

ASSET MANAGEMENT OPERATIONS

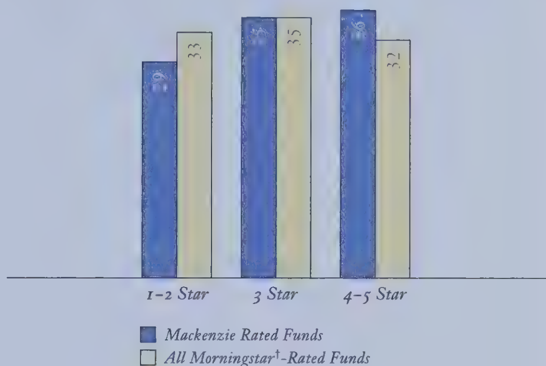
As of December 31, 2003, more than one million clients held Mackenzie mutual funds and segregated funds. In addition to the Mackenzie brand, the Mackenzie family includes: Cundill, Ivy, Keystone, Maxxum and Universal. Two new sub-brands were introduced in 2003: Sentinel Funds, Mackenzie's family of income-oriented funds, and Select Managers* Funds. Multi-managed, each Select Managers* Fund combines four to six leading investment specialists who actively manage a portion of the fund. Total Mackenzie assets under management and administration increased 11.3% during the year to total $38.3 billion.

Gross sales of Mackenzie mutual funds were $5.3 billion for 2003. Despite strong sales and a redemption rate which was below the average redemption rate for IFIC members, the year ended with net redemptions of $69 million.

In 2003, Mackenzie received eight awards at the Canadian Investment Awards Gala. Peter Cundill, lead manager of Mackenzie's Cundill Funds, had the distinction of being named "Analysts' Choice Fund Manager of the Year". Mackenzie is now home to the "Analysts' Choice Fund Manager of the Year" award winner for five of the past six years. Jerry Javasky, lead manager of Mackenzie's Ivy Funds, received the distinction in 1998 and 2002, and Ian Ainsworth, the award winner for 1999 and 2000, joined Mackenzie in April to head up its growth equity team. Ian Ainsworth is lead manager of the Mackenzie Universal Future Fund and Mackenzie Universal Emerging Technologies Capital Class fund.

Industry recognition also came from the Morningstar† fund ranking service. In December, they reported that for the sixth consecutive month Mackenzie offered the most funds with a five star rating. Mackenzie remains ahead of all other fund companies in Canada with 26 five star funds. At year-end, 36% of Mackenzie mutual funds had ratings of four or five stars, and 71% had three stars or better, compared to 49% and 79% respectively in 2002.

MORNINGSTAR† RATINGS – MACKENZIE
As at December 31, 2003 (% of funds)



(Source – Morningstar†)

The Cundill Funds continued their history of strong performance. All Cundill Funds were ranked in the first quartile for 2003 by BellCharts, with the exception of the Cundill Canadian Security Fund. Over the most recent three and five year periods, all Cundill Funds were ranked in the first quartile.

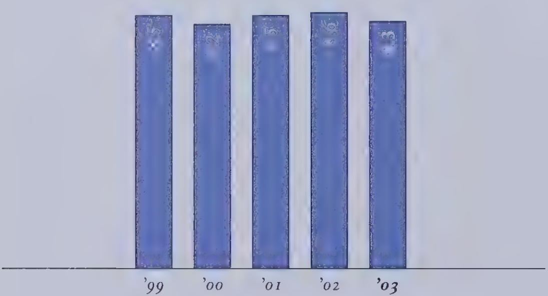
It was a year of relative underperformance for the Ivy Funds. The strong Canadian dollar had a negative impact on the returns of our foreign funds in this fund family. The Ivy approach to investing in global and European markets seeks to identify companies that can grow their businesses at above-average rates over long periods of time. Currency is not hedged so that the funds offer Canadian investors diversification not only in terms of foreign businesses, but also in terms of foreign currencies. In addition, the market activity in 2003 was focused on lower credit quality companies as well as on cyclical and recovery stories, a narrow market in which the Ivy Funds tend to underperform.

While the short-term performance of the Ivy Funds is disappointing, we are confident that over the long term these funds will maintain their solid track record. The Ivy Funds ranked first quartile for 2000, 2001 and 2002. Ivy's approach continues to be the building of diversified portfolios of high quality businesses that exhibit the characteristics of conservative growth.

Mackenzie continues to move towards a leaner investment lineup that avoids duplication, creates efficiencies, and enhances the value provided to our investors. In a major initiative to streamline our offerings, the tax-efficient Capital Class structure was revamped so that all Capital Class funds now qualify as domestic property and are 100% RRSP eligible. Funds with similar mandates were merged into their Capital Class version.

The new structure provides expanded benefits to investors. Registered investors are now able to diversify their investments globally without concern as to the 30% foreign content limit or the need to rebalance their foreign holdings. In addition, the mergers are expected to positively impact RRSP fund performance as the embedded transaction cost used to carry out a derivative investment strategy has been eliminated in favour of a lower foreign content monitoring fee. The increased appeal of Capital Class funds will generate increased assets in the portfolios, leading to greater administrative efficiencies and economies of scale.

MARKET SHARE OF LONG-TERM MUTUAL FUND ASSETS
As at December 31 (%)



(Source: IFIC)

PRODUCT DEVELOPMENT, SERVICE AND POSITIONING

Mackenzie is a recognized product innovator in Canada and is constantly striving to develop better products that improve the after-tax return to investors. Mackenzie pioneered the now common RSP clone fund concept. In recent years, Mackenzie has faced significant competition from structured yield products such as income trusts, structured funds of income trusts, closed-end TSX listed equity, fixed income and derivative split share products, and bank principal guaranteed equity fund structures. Over the last five years the market capitalization of income trusts listed on the TSX has grown significantly. In contrast, open-ended mutual funds experienced net redemptions in 2003.

Management is confident that it can meet these competitive market forces with superior investment and tax structures, at lower costs for financial advisors and their clients. Mackenzie's ability to innovate has historically been a key to growth in assets under management and administration. Product development teams at Mackenzie and at the MRS Group of Companies (MRS Group) have focused on such opportunities for over three years and in late 2003 our initial product prospectuses were filed with provincial Securities Commissions. We expect to be able to actively market these new products in the second quarter of 2004.

To improve the effectiveness of our products competing with in-house wrap programs, we launched Keystone as a fund of funds in December 2003. This product simplifies trade processing, reporting and commission administration versus the historical STAR and Keystone portfolio of funds approach. Four new fund of funds were added: Keystone Conservative Portfolio Fund, Keystone Balanced Portfolio Fund, Keystone Balanced Growth Portfolio Fund, and Keystone Growth Portfolio Fund. Each new fund is packaged individually, but is comprised of as many as 16 different underlying funds managed by Mackenzie, AGF Funds Inc., AIM Funds Management Inc., Beutel, Goodman & Company, Ltd., Elliott & Page Mutual Funds, Bissett Investment Management and Templeton Investment Management, each an operating division of Franklin Templeton Investments Corp., and Saxon Mutual Funds. In October, Mercer Investment Consulting, a leading provider of investment consulting services, was chosen to act as consultant to Mackenzie for our strategic asset allocation programs, including Keystone, STAR, and the Mackenzie Private Client Group.

In December 2003 Mackenzie filed a preliminary prospectus for Symmetry, a product which management believes will be very competitive with the in-house wrap businesses developed by some distributors. Symmetry portfolios are constructed to meet each investor's unique profile using strategic asset allocation. The program allows further customization with the integration of active funds to incorporate style biases, investment themes, or concentration on a particular geographic region. Many wrap programs fail to include input from both the financial advisor and the client. Symmetry brings together the best of strategic asset allocation and advice to provide a level of customization not available with most other programs.

Recognizing the importance of the U.S. market to a diversified portfolio, we strengthened our U.S. equity capabilities and offerings. Canadian investors now have access to a team of equity managers from sub-advisors Waddell & Reed Ivy Investment Company, Bluewater Investment Management Inc. and The Cundill Group. Mackenzie's line of U.S. funds now offers the full spectrum of value, blend and growth investment styles and we are well positioned to take advantage of a growing interest in U.S. markets.

Several other new products designed to meet investor needs were launched in 2003. New funds include Mackenzie Sentinel Real Return Bond Fund, a fund comprised of real-return bonds for investors concerned about rising inflation; and the Mackenzie Sentinel High Income Fund, an income trust fund for investors seeking steady monthly income with some potential for capital growth.

In partnership with CIBC, Mackenzie issued CIBC FULPaY† Mackenzie Funds-Linked Deposit Notes which have the potential to deliver returns through a link to the performance of three Mackenzie funds. Sold over a selling period of limited duration and traded on the secondary market, the debt instruments proved popular with investors seeking the upside potential offered by mutual funds but concerned about safety of principal. Total sales of the three Mackenzie issued CIBC FULPaY† Mackenzie Funds-Linked Deposit Notes exceeded $100 million.

VenGrowth Capital Partners Inc. (VenGrowth) added to its family of retail venture capital funds and launched VenGrowth Traditional Industries Fund, its most conservative offering to date. The fund uses VenGrowth's hallmark later-stage investment strategy, which has been refined over the last 20 years. Mackenzie markets and is the fund administrator for all VenGrowth funds.

A recent survey of advisor preferences conducted by TARP, a customer service research firm, found that Canadian advisors appreciate the breadth of Mackenzie's product line. Mackenzie continues to evolve and look at new ways of doing business to increase efficiencies and expand our presence in the Canadian marketplace.

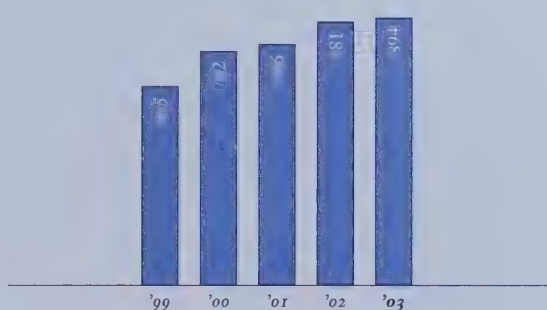
DEALER, TRUST AND ADMINISTRATION SERVICES

MRS Group partners with independent financial advisors and their dealer firms to provide product and service solutions that increase their competitive advantage in the marketplace. MRS Group has supported the independent advice channel for more than 20 years.

MRS Group is comprised of Multiple Retirement Services Inc., a mutual fund dealer, M.R.S. Trust Company (M.R.S. Trust), a federally-regulated trust company, M.R.S. Securities Services Inc., an IDA member firm, and Winfund Software Corp., a developer and distributor of back-office software. These companies work together to support Canadian investment and mutual fund dealers and their financial advisors. Since 1998, MRS Group has sponsored and distributed Keystone Funds and currently has approximately $800 million under management. MRS Group ensures a strong and competitive market for segregated and mutual fund distribution.

MRS Group services 900,000 registered and investment accounts. More than 9,500 independent financial advisors representing some 400 dealer firms across Canada choose MRS Group for their clients.

MRS GROUP INVESTOR ACCOUNTS UNDER ADMINISTRATION
As at December 31 (thousands)



ASSETS UNDER MANAGEMENT AND ADMINISTRATION

Total Mackenzie assets under management and administration as at December 31, 2003 were $38.3 billion, an increase of 11.3% over the previous year.

Mackenzie's mutual fund assets under management totaled $33.8 billion at December 31, 2003, an increase of 9.4% from $30.9 billion at December 31, 2002. Market performance positively impacted mutual fund assets by $3.0 billion during the year. In addition to mutual funds, Mackenzie provides investment management, administration and distribution services for private and institutional investors, segregated funds and labour sponsored investment funds. All business segments gained assets during 2003. Private and institutional assets grew 36.6%, segregated funds increased 35.9% and VenGrowth labour sponsored funds gained 4.8%.

Sales of long-term funds (excluding money market and Managed Yield funds) were $4.0 billion in 2003 compared with $4.3 billion in 2002, a decline of 8.1%. Despite the market recovery, investors were slow to return to the equity markets and for much of the year remained invested in conservative investments such as money market and income funds. Net sales of long-term funds were $209 million in 2003, compared to $700 million in 2002. However, net sales of long-term funds increased in the last three months of the year indicating positive momentum in 2004.

The strong relative performance of Mackenzie mutual funds was confirmed in December, as Mackenzie again earned the top spot in Morningstar† rankings for offering the most five star funds of any company in Canada. Morningstar's† ratings are an objective, quantitative measure of a fund's historical risk-adjusted performance relative to other funds in its category. The top 10 per cent of the funds in each category receive a five star rating.

TABLE 5: CHANGES IN CANADIAN ASSETS UNDER MANAGEMENT AND ADMINISTRATION – MACKENZIE

($ millions)	2003	2002	CHANGE
Mutual Funds			
Sales	$ 5,282.3	$ 5,998.0	(11.9)%
Redemptions	5,351.7	5,709.9	(6.3)
Net sales (redemptions)	(69.4)	288.1	(124.1)
Market and income	2,979.2	(2,827.6)	205.4
Net change in assets	2,909.8	(2,539.5)	214.6
Beginning assets	30,860.1	33,399.6	(7.6)
Ending assets	33,769.9	30,860.1	9.4
Private and Institutional Clients	3,312.0	2,425.1	36.6
Segregated Funds	176.7	130.0	35.9
Labour Sponsored Funds	992.6	946.7	4.8
Total	$ 38,251.2	$ 34,361.9	11.3 %
Average daily mutual fund assets	$ 30,877.9	$ 32,277.7	(4.3)%

Review of Segment Operating Results

Mackenzie's earnings from operations before interest and taxes for the year ended December 31, 2003 compared with 2002 are presented in Table 6.

FEE AND NET INVESTMENT INCOME

Management fees were $554.7 million for the year ended December 31, 2003, a decrease of $37.9 million from $592.6 million in 2002. This decline is consistent with the 4.3% decrease in Mackenzie's average mutual fund assets under management and the decline in the average management fee rate, a result of an increase in the percentage of assets in money market and fixed income funds which have a lower management fee rate than equity based funds. Also contributing to the decrease as compared to last year was $4.3 million of income from hedging activities related to Mackenzie's mutual fund assets which were included in management fees in 2002.

Administration fees include the following main components: operating expenses charged to funds; fees earned from administering the VenGrowth Labour Sponsored Venture Capital Funds; and trustee and other administration fees generated from the MRS Group account administration business. Administration fees increased by $1.8 million to $148.5 million in 2003 compared to $146.7 million in 2002. This increase is primarily attributable to the administration fees earned by M.R.S. Trust for assuming responsibility for a portion of the Mackenzie and Investors Group mutual fund RRSP Clone counterparty activity. M.R.S. Trust began providing this service in December 2002 for the Mackenzie funds and in April 2003 for the Investors Group funds.

Distribution revenue, which represents fees earned on the redemption of mutual fund units sold on a deferred sales charge basis for which Mackenzie was the primary distributor, decreased $4.7 million to $39.6 million from $44.3 million in the previous year. This decrease is consistent with the decline in the redemption of mutual fund units that were subject to a redemption fee.

Net investment income and other represents the net interest margin from M.R.S. Trust's lending and deposit operations. Net investment income in 2003 was $19.9 million, an increase of $2.3 million from $17.6 million in 2002. The increase in the current year is attributed to a gain realized on the disposition of real estate held for sale. There is no corresponding gain in the previous year's results.

TABLE 6: OPERATING RESULTS – MACKENZIE

($ millions)	2003	2002	CHANGE
Fee and net investment income			
Management	$ 554.7	$ 592.6	(6.4)%
Administration	148.5	146.7	1.2
Distribution	39.6	44.3	(10.6)
Net investment income and other	19.9	17.6	13.1
	762.7	801.2	(4.8)
Operating expenses			
Commissions	141.7	153.2	(7.5)
Trailer fees	142.3	149.0	(4.5)
Non-commission	257.3	281.1	(8.5)
	541.3	583.3	(7.2)
Earnings before interest and taxes	$ 221.4	$ 217.9	1.6 %

OPERATING EXPENSES

Mackenzie's operating expenses decreased $42.0 million to $541.3 million from $583.3 million in the previous year.

Commission expense, which represent the amortization of deferred selling commissions, decreased $11.5 million to $141.7 million from $153.2 million in 2002. Mackenzie amortizes deferred selling commissions over a maximum period of seven years. However, to the extent fees are received on the redemption of the underlying mutual fund units, amortization is accelerated. The decrease in commission expense as compared to last year is consistent with the increase in deferred selling commissions which are now fully amortized and the decline in redemption fees.

Trailer fees paid to dealers were $142.3 million in 2003, a decrease of $6.7 million from $149.0 million in the previous year. This decline is consistent with the overall decrease in Mackenzie's average mutual fund assets under management in the current year as compared to 2002. Trailer fees as a percentage of average mutual fund assets under management decreased marginally to 0.462% from 0.464% in 2002.

Non-commission expenses include costs incurred by Mackenzie in the administration, marketing and management of its mutual funds and all other expenses in the operation of its business. Non-commission expenses decreased $23.8 million to $257.3 million in 2003 from $281.1 million in the previous year. This decline was primarily due to:

- Synergies related to the transition work with Investors Group.
- Management of discretionary expenditures.
- Lower distribution fees paid to a limited partnership, consistent with the decline in average assets financed by limited partnership vehicles.
- Reduction in sub-advisory expenses due to the internalization of certain fund mandates and the renegotiation of a number of sub-advisory agreements in 2002 and 2003.

Investors Group Inc.
Consolidated Financial Position

The Company's on-balance sheet assets totaled $6.29 billion at December 31, 2003, compared to $5.99 billion at December 31, 2002.

SECURITIES

The Company's holdings of securities were $106.2 million at December 31, 2003, a decrease of $50.0 million or 32.0% from 2002. Securities currently represent 1.7% of total assets as compared with 2.6% at December 31, 2002. The market value of the Company's portfolio at December 31, 2003 exceeded cost by $125.1 million, consistent with the prior year end.

The Company continually strives to ensure that its portfolio holdings are of the highest quality. To manage the market and credit risk associated with the securities portfolio, a Senior Management Investment Committee monitors the Company's portfolio and approves all purchases.

This Committee regularly reviews the portfolio to identify holdings where there has been an other than temporary decline in value. In these circumstances, the carrying amount of the security is written down to recognize the loss.

LOANS

Loans, including mortgages and personal loans, decreased by $21.0 million to $528.0 million at December 31, 2003 and represent 8.4% of total assets compared to 9.2% in 2002. This decrease is comprised of $66.5 million in mortgages and personal loans related to the Company's intermediary activities and an increase of $45.5 million in residential loans related to the Company's mortgage banking operations.

Residential mortgage loans, sourced with the assistance of Investors Group Consultants, are primarily designated for sale to third parties on a fully serviced basis through Investors Group's mortgage banking operations. Mortgage loans sourced through mortgage brokers and personal loans sourced through the MRS Group relate to M.R.S. Trust's intermediary activities. M.R.S. Trust also sells mortgages and personal loans to third parties on a fully serviced basis through its securitization activities.

Credit Risk

At December 31, 2003, impaired loans totaled $2.2 million, unchanged from the prior year, and represented .40% of the total loan portfolio, compared with .38% at December 31, 2002. The Company monitors its credit risk management policies continuously to evaluate their effectiveness. These policies and practices have resulted in the effective control of impaired loans.

Management continued its conservative policy of maintaining adequate allowances to absorb all known and foreseeable credit-related losses in the mortgage, loan, and real estate portfolios. The allowance for credit losses exceeded impaired mortgages and loans by $19.3 million as at December 31, 2003, compared to $19.4 million at December 31, 2002.

During 2004, the Company does not expect any significant losses in its mortgage portfolios because:

- The portfolios are 94% residential and 63% insured.
- 75% of the portfolios are owner occupied.
- The mortgages in the portfolios are geographically diverse.
- The Company continues to apply strict credit risk management policies.

The characteristics of the mortgage portfolios at December 31, 2003 described above are consistent with prior years.

Consolidated Liquidity and Capital Resources

LIQUIDITY

The Company's operating liquidity is required for:

- Financing ongoing operations, including the funding of selling commissions internally.
- Temporarily holding mortgages in its mortgage banking facility.
- Meeting regular interest and dividend obligations related to long-term debt and preferred shares.
- Payment of quarterly dividends on the Company's outstanding common shares.
- Maintaining liquidity requirements for the Company's regulated entities.

A key liquidity requirement for the Company is the funding of commissions paid on the sale of mutual funds. Commissions paid continue to be fully funded through management fee revenue earned on mutual fund assets under management and through additional sales charges levied in connection with the early redemption of mutual funds.

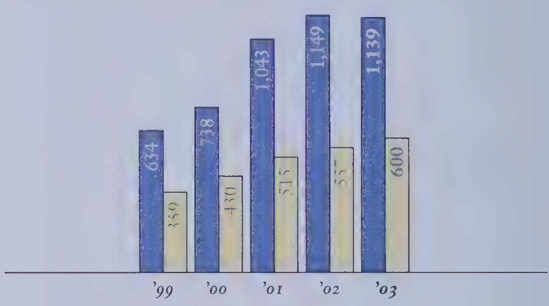
The Company also maintains sufficient liquidity to fund and temporarily hold mortgages. Through its mortgage banking operations, most of the mortgages are sold to third parties on a fully serviced basis. In order to effectively manage its overall liquidity, the Company must be active in both the whole loan sale and securitization markets. During 2003, whole loan sales to third parties totaled $847.3 million and proceeds from securitizations were $126.7 million, compared with $1.1 billion and $217.4 million respectively in 2002.

During the year the Company repaid $275 million of the Floating Bankers' Acceptances due May 30, 2006 which were related to the acquisition of Mackenzie.

On July 10, 2003 the Company purchased, by way of private placement, 2,662,690 common shares of Great-West Lifeco Inc. (GWL), an affiliate of the Company, for total cash consideration of $100 million in support of GWL's acquisition of Canada Life Financial Corporation.

The Company continues to generate significant cash flows from its operations. Earnings before interest, taxes, depreciation and amortization (EBITDA) totaled $1,138.6 million for the year. This compared to $1,148.6 million in 2002. Although overall fee revenues were down 5.5% for the year, the decrease in EBITDA was only 0.9% due to both a decrease in operating expenses and an increase in net investment income.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)
For the financial year ($ millions)



EBITDA – 2001 excludes Mackenzie restructuring costs. 2003 excludes dilution gain and restructuring reversal related to Mackenzie.

Cash flow available from operations before payment of commissions

Other potential sources of liquidity are the Company's portfolio of securities and lines of credit. At December 31, 2003, the market value of the marketable securities in its portfolios and those of its unregulated subsidiaries was $202.8 million. The Company maintains operating lines of credit totaling $235 million with various Schedule A Canadian chartered banks.

Liquidity can also be provided through the Company's ability to raise funds in domestic debt and equity markets as evidenced by the funds raised to finance its acquisition of Mackenzie and by the funds raised through the $175 million and the $300 million in debentures issued in December 2002 and March 2003 respectively.

Liquidity requirements for M.R.S. Trust and Investors Group Trust Co. Ltd., which engage in financial intermediary activities, are established by regulatory authorities. As at December 31, 2003, liquidity for both companies was in excess of regulatory requirements.

INTEREST RATE RISK

The objective of the Company's asset liability management is to control interest rate risk by actively managing its interest rate exposure within limits established by the Investment Committee of the Board of Directors.

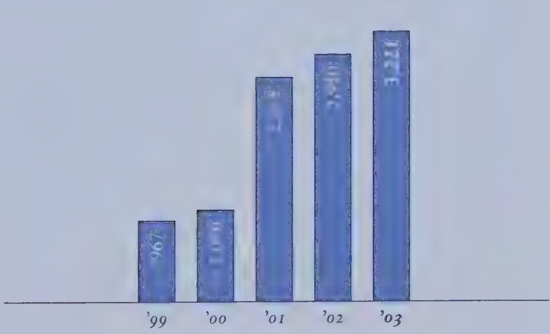
The Company manages the re-pricing characteristics of its consolidated assets and liabilities, and as required by regulation, manages interest rate risk on the assets and liabilities of the deposit operations of M.R.S. Trust and Investors Group Trust Co. Ltd. As at December 31, 2003, the total gap between one-year deposit assets and liabilities was well within the Company's stated guidelines.

CAPITAL RESOURCES

Shareholders' equity increased to $3.22 billion as at December 31, 2003 from $2.95 billion at December 31, 2002. For outstanding share data, refer to Note 13 of the Consolidated Financial Statements. During 2003, long-term debt increased marginally to $1.40 billion from $1.39 billion at December 31, 2002 as shown in Note 12 to the Consolidated Financial Statements. The Company refinanced a portion of its long-term debt, extending term at attractive interest rates while increasing its financial flexibility

To achieve its strategic objectives, the Company requires a strong capital base. The Company's capital management objective is to preserve the quality of its financial position by establishing and maintaining a solid capital base and a strong balance sheet.

SHAREHOLDERS' EQUITY
As at December 31 ($ millions)



Independent reviews confirm the continuing quality of the Company's balance sheet and the strength of its operations. During 2003, both Standard & Poors (S&P) and the Dominion Bond Rating Service (DBRS) reviewed their ratings of the Company's senior debt and liabilities. The senior debt and liabilities were rated "A" with a stable outlook by both S&P and DBRS.

Management is confident that the Company's current capital resources are adequate and can support its activities during 2004.

TRANSACTIONS WITH RELATED PARTIES

Refer to Note 19 of the Consolidated Financial Statements.

Outlook

THE FINANCIAL SERVICES ENVIRONMENT

The financial services industry continues to experience considerable growth and substantial change. Some of the factors contributing to industry growth are:

- Changes in investment habits.
- Increasing ease of investment in capital markets.
- Greater knowledge and understanding of investment products among the general public.
- Shifting demographics – the move of the baby boom generation into peak saving and investing years.

Increased Competition and Deregulation

A changing and expanding marketplace has brought a substantial increase in competition within the industry. Domestic and foreign service providers, including banks, financial planners, investment dealers, insurance companies and others, are providing a comprehensive range of services.

In response to the broadening of clients' needs and their increasing sophistication, products and services are more integrated and are designed to meet clients' overall financial objectives. Deregulation has also enabled companies to broaden their delivery channels to attract clients.

Growth of Mutual Funds

The mutual fund market continues to play a prominent role in the financial services industry. At December 31, 2003, mutual fund industry assets in Canada totaled $438.9 billion, an increase of 12.1% from $391.3 billion at December 31, 2002.

The $47.6 billion increase in industry assets from December 31, 2002 reflected an estimated $44.4 billion increase from market action, which represented 11.3% of year-end 2002 industry assets, the inclusion of approximately $3.8 billion of new assets that were not previously categorized as mutual fund assets, offset by net redemptions of $607 million.

The long-term outlook for growth in mutual fund assets continues to be positive. Factors that should contribute to this growth include:

- A continuing environment of low interest rates.
- Demographic changes resulting in more individuals focusing on saving and investing.
- Increased concern over the adequacy of government-sponsored pension plans.
- A growing number of financial services companies offering mutual funds.
- The globalization of capital markets.

THE COMPETITIVE LANDSCAPE

To provide financial planning services to Canadians, the Company operates in a highly competitive environment and competes with other mutual fund companies and with other financial services organizations, including banks, brokerage firms and life insurance companies. Merger and acquisition activity in 2003 reflected continued consolidation within the financial services industry.

Banks

The dominant competitive force in retail financial services is the banking industry. Management feels that the banks' presence has served to accelerate the growth of the mutual fund industry as a whole. During 2003, banks continued to maintain a significant share of the mutual fund market. A substantial portion of their mutual fund assets continue to be concentrated in money market funds. At December 31, 2003, money market funds totaled $41.7 billion compared with $44.7 billion in 2002 and represented 28% and 36% of their total mutual fund assets in the respective periods.

Mutual Fund Dealers and Manufacturers

Mutual fund dealers have also been successful in expanding their distribution network and increasing their penetration of the financial advice market. During 2003, a number of organizations consolidated to form larger companies. Management expects continued consolidation in the industry as smaller participants are acquired by larger, more efficient organizations.

A continuing trend within the mutual fund sector is increased vertical integration, where one firm both manufactures and distributes products. For mutual fund dealers, this has meant increasing their manufacturing capabilities. This business model, which integrates investment management with the distribution of financial products and services, is similar to that which Investors Group has utilized successfully.

Distribution Channels

Within the various mutual fund distribution channels, competition is strong. Management views this as a healthy environment that allows investors to receive high-quality investment management services for reasonable fees. As the number and the variety of mutual funds increase, there is increasing competition among mutual fund manufacturers to access distributors and the limited shelf-space they provide.

MEETING COMPETITIVE CHALLENGES

Due to globalization and consolidation, some of the Company's competitors may have greater financial or other resources than Investors Group Inc. on a consolidated basis. However, Investors Group and Mackenzie are well positioned to enhance the Company's competitive position in both the mutual fund and the financial services industries. In order to be successful in this environment, the Company must continue to be innovative and to provide excellent service to its clients.

Investors Group – Mackenzie Transition

Investors Group and Mackenzie continue to pursue additional opportunities for product and service enhancements and operating efficiencies.

During 2003:

- Management met its transition plan objective which was to achieve $100 million (pre-tax basis) of synergies per year on a run rate basis in the second year following acquisition. This consisted of $75 million per year in synergies to the Company's shareholders and $25 million per year in synergies to Investors Group and Mackenzie mutual fund clients. Synergies realized by mutual fund clients are based upon reductions in fund operating costs.
- The Company completed the largest systems conversion in the history of the Canadian mutual fund industry in November 2003. After a comparative analysis, Mackenzie and Investors Group merged their transfer agency and unitholder recordkeeping systems into one shareholder administration system, preserving the integrity and privacy of their respective client bases. Both Mackenzie and Investors Group unitholders will benefit from economies of scale from the combined platform.

Expanded Product and Service Offering

Offering a broader range of financial products and increasing the diversification of the Company's core products have strengthened existing client relationships and have attracted new clients. During 2003, both Mackenzie and Investors Group developed innovative products and strategic investment planning tools to assist clients in building optimal investment portfolios. Products and services introduced by both Investors Group and Mackenzie during 2003 were discussed more fully in their respective Segment reviews. This strategy continues to enhance the extent and quality of the Company's client relationships, protect its client base and expand its market share.

Integrated Business Model

The highly developed nature of the Company's integrated business model and the scale of our operations give us a distinct advantage over our competition. The Company is well positioned to meet increased competition for distribution shelf-space. The synergies achieved through the Company's acquisition of Mackenzie and its association with Great-West Life, London Life and Canada Life further strengthen our scale of operations and position in the marketplace.

While competitors may attempt to replicate Investors Group Inc.'s business model, management is confident that the Company will maintain its leadership position as a primary distributor of a broad and diverse range of financial products and services.

THE REGULATORY ENVIRONMENT

The Company is subject to complex and changing legal and regulatory requirements with the Company's principal regulators including the provincial and territorial governments in Canada. The Company's activities are also regulated by the Canadian Securities Administrators, its member constituents and various self-regulatory organizations. Changes in the regulatory framework or failure to comply with any of these laws, rules and regulations could have an adverse effect on the company.

Regulators continued to adopt new laws relating to corporate governance, continuous disclosure, and director and officer accountability as well as laws and regulations dealing specifically with the Company's core business. Many of the provincial securities regulators have proposed rules on audit committee responsibilities, certification of financial reports by the chief executive officer and chief financial officer, as well as guidelines on corporate governance.

The Company supports all regulatory efforts that will protect the interests of clients and preserve the integrity and reputation of the industry and its members. Management looks forward to future developments that will further these objectives.

Mutual Fund Dealers Association of Canada

Investors Group Financial Services Inc. and Multiple Retirement Services Inc., the Company's mutual fund dealer subsidiaries, are members of the Mutual Fund Dealers Association of Canada (MFDA). This is the self-regulatory organization for the mutual fund dealer industry in every jurisdiction in Canada except Quebec. The MFDA continues to work towards the establishment of a contingency fund to protect investors in the event of an insolvency of any of its dealer members.

Harmonization of Securities Rules/National Securities Regulator

In the last year there have been two major proposals aimed at improving the efficiency of the regulation of securities in Canada.

In December 2003, the Canadian Securities Administrators (CSA) published Consultation Drafts of The Uniform Securities Act and The Model Administration Act. If adopted, this proposal would harmonize the securities legislation in the various provinces and territories in Canada. A separate, but complementary, initiative is the proposal to create a "passport" system across Canada under which regulators in one jurisdiction would recognize the action taken by another jurisdiction. This would allow a person or company to deal solely with their "home" jurisdiction instead of all of the provinces and territories in which they want to carry on business on matters such as registration.

Also in December 2003, the "Wise Persons Report", which was commissioned by the Federal Department of Finance, was issued. It recommended the creation of a single national securities regulator, the Canadian Securities Commission (CSC), to regulate securities in Canada. Under this proposal, the CSC would be comprised of nine commissioners who would be regionally representative. They would be appointed by the Minister of Finance of Canada from nominees proposed by a nominating committee of 10 members designated by the provinces. In addition, a framework would be put in place to ensure that the provinces would have input into securities policy.

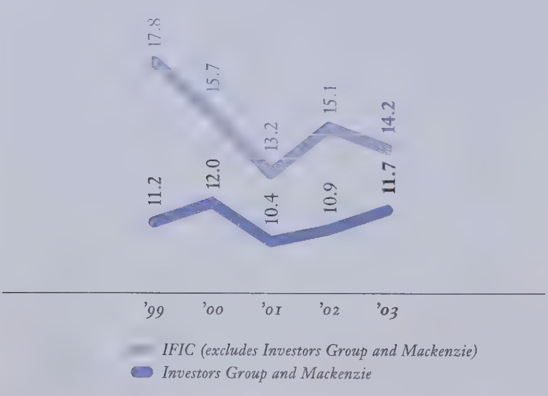
Review of Mutual Fund Industry Practices
The Ontario Securities Commission (OSC), the MFDA and other regulatory bodies are reviewing trading practices in the Canadian mutual fund industry and have requested information from mutual fund companies and dealers regarding "late trading" and "market timing" activities. Each of Investors Group and Mackenzie has provided detailed responses, on a timely basis, to the questionnaires issued by these regulators. The Company supports this initiative to strengthen the Canadian mutual fund industry and will co-operate fully with the regulators in their efforts to obtain and assess relevant information.

OTHER RISK FACTORS

Market Risk
Stronger financial markets in 2003 led to growing investor confidence and increases in the level of assets under management. However, risks related to performance of the equity markets and changes in interest rates can have a significant impact on the level and mix of mutual fund assets and sales. In addition, these factors can result in increased redemptions of mutual funds.

Redemption Rates
The combined redemption rate for long-term funds for Investors Group and Mackenzie mutual funds was 11.7% at December 31, 2003, among the lowest in the industry. The corresponding redemption rate for the industry as a whole was 14.2%, excluding the Company's mutual funds.

LONG-TERM MUTUAL FUND REDEMPTION RATES
As at December 31 (%)



Investors Group and Mackenzie provide Consultants and independent financial advisors with superior levels of service and support and a broad range of investment products – based on asset classes, countries or regions, and investment management styles. These are key advantages in maintaining strong client relationships and, as a result, the Company has been able to maintain redemption rates that are among the lowest in the industry.

The mutual fund industry has successfully educated mutual fund investors on the benefits of long-term investing. Financial advisors can also play a key role in educating investors about the value of portfolio diversification. In periods of declining markets and market volatility, our Consultants and independent financial advisors are effective in reminding clients of the benefits of long-term investing.

Distribution Risk

Investors Group Consultant Network – Investors Group derives all of its mutual fund sales through its Consultant network. Investors Group Consultants have regular direct contact with particular clients which can lead to a strong and personal client relationship based on the client's trust in that individual Consultant. The market for financial advisors is extremely competitive. The loss of a significant number of key Consultants could lead to the loss of client accounts which could have an adverse effect on Investors Group's results of operations and business prospects. Investors Group is focussed on growing its distribution network of Consultants as discussed in the Investors Group Review of the Business beginning on page 27.

Mackenzie – Mackenzie derives substantially all of its mutual fund sales through independent financial advisors. Mackenzie's ability to market its products is highly dependent on access to various distribution channels. These intermediaries generally offer their clients investment products in addition to, and in competition with Mackenzie. The inability to have such access could have a material adverse effect on Mackenzie's operating results and business prospects. However, Mackenzie's portfolio of financial products is recognized as one of the most innovative and unique in the industry. This, combined with strong performance, marketing, educational and service support, has made Mackenzie one of Canada's leading companies serving independent financial advisors. These factors are discussed further in the Mackenzie Review of the Business beginning on page 35.

Management's Responsibility for Financial Reporting

The consolidated financial statements of Investors Group Inc. and related financial information have been prepared by Management, which is responsible for the integrity, objectivity and reliability of the data presented. This responsibility includes selecting appropriate accounting principles and making judgments and estimates consistent with Canadian generally accepted accounting principles. Financial information presented elsewhere in this Annual Report is consistent with that in the consolidated financial statements.

Systems of internal control and supporting procedures are maintained to provide reasonable assurance of the reliability of financial information and the safeguarding of all assets controlled by the Company. These controls and supporting procedures include quality standards in hiring and training employees, the establishment of organizational structures providing a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines through the organization. Internal controls are reviewed and evaluated by extensive internal audit programs, which are subject to scrutiny by the shareholders' auditors.

Ultimate responsibility for the consolidated financial statements rests with the Board of Directors. The Board is assisted in discharging this responsibility by an Audit Committee, consisting of directors who are not officers or employees of the Company. This Committee reviews the consolidated financial statements and recommends them for approval by the Board. In addition, the Audit Committee reviews the recommendations of the internal auditor and the shareholders' auditors for improvements in internal control and the action of Management to implement such recommendations. In carrying out its duties and responsibilities, the Committee meets regularly with Management and with both the internal auditor and the shareholders' auditors to review the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged.

Deloitte & Touche LLP, independent auditors appointed by the shareholders, have examined the consolidated financial statements of the Company in accordance with Canadian generally accepted auditing standards, and have expressed their opinion upon the completion of their examination in their Report to the Shareholders. The shareholders' auditors have full and free access to the Audit Committee to discuss their audit and related findings as to the integrity of the Company's financial reporting and the adequacy of the systems of internal control.

R. Jeffrey Orr
President and Chief Executive Officer

Gregory D. Tretiak
Executive Vice-President, Finance

Auditors' Report

To the Shareholders, Investors Group Inc.

We have audited the consolidated balance sheets of Investors Group Inc. as at December 31, 2003 and 2002 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Winnipeg, Manitoba
January 29, 2004

Consolidated Balance Sheets

AS AT DECEMBER 31 *(in thousands of dollars)*	2003	2002
Assets		
Cash and cash equivalents	$ 969,315	$ 771,522
Securities *(Note 2)*	106,232	156,186
Loans *(Note 3)*	528,012	548,969
Investment in affiliate *(Note 5)*	460,655	320,988
Deferred selling commissions	763,874	726,718
Other assets *(Note 6)*	333,825	336,956
Goodwill and intangible assets *(Note 7)*	3,129,783	3,125,613
	$ 6,291,696	$ 5,986,952
Liabilities		
Deposits and certificates *(Note 8)*	$ 729,456	$ 709,012
Other liabilities *(Note 9)*	562,820	639,876
Future income taxes *(Note 11)*	375,072	301,744
Long-term debt *(Note 12)*	1,403,580	1,386,365
	3,070,928	3,036,997
Shareholders' Equity		
Share capital *(Note 13)*		
Preferred	360,000	360,000
Common	1,446,063	1,441,063
Retained earnings	1,414,705	1,148,892
	3,220,768	2,949,955
	$ 6,291,696	$ 5,986,952

(See accompanying notes to consolidated financial statements.)

On behalf of the Board

Director

Director

Consolidated Statements of Income

FOR THE YEARS ENDED DECEMBER 31 *(in thousands of dollars, except shares and per share amounts)*	2003	2002
Fee and net investment income		
Management	$ 1,296,114	$ 1,379,923
Administration	286,777	295,321
Distribution	131,482	137,961
Net investment income and other	159,808	126,510
Total fee and net investment income	1,874,181	1,939,715
Operating expenses		
Commission expense	475,335	497,480
Non-commission expense	494,142	535,372
Interest expense	85,377	79,514
Restructuring (reversal) costs *(Note 21)*	(24,832)	–
Total operating expenses	1,030,022	1,112,366
	844,159	827,349
Dilution gain *(Note 5)*	14,820	–
Income before income taxes and discontinued operations	858,979	827,349
Income taxes *(Note 11)*	299,198	317,401
Income before discontinued operations	559,781	509,948
Discontinued operations *(Note 22)*	–	1,811
Net income	559,781	511,759
Preferred dividends	20,700	20,700
Net income available to common shareholders	$ 539,081	$ 491,059
Average number of common shares *(in thousands) (Note 17)* – Basic	263,915	263,487
– Diluted	265,174	264,873
Earnings per share *(in dollars) (Note 17)*		
Excluding discontinued operations – Basic	$ 2.043	$ 1.857
– Diluted	$ 2.033	$ 1.847
Including discontinued operations – Basic	$ 2.043	$ 1.864
– Diluted	$ 2.033	$ 1.854

Consolidated Statements of Retained Earnings

FOR THE YEARS ENDED DECEMBER 31 *(in thousands of dollars)*	2003	2002
Balance, beginning of year	$ 1,148,892	$ 884,531
Net income	559,781	511,759
Dividends		
Preferred	(20,700)	(20,700)
Common	(261,301)	(226,698)
Premium paid on common shares purchased for cancellation *(Note 13)*	(2,127)	–
Other *(Note 5)*	(9,840)	–
Balance, end of year	$ 1,414,705	$ 1,148,892

(See accompanying notes to consolidated financial statements.)

Consolidated Statements of Cash Flows

FOR THE YEARS ENDED DECEMBER 31 *(in thousands of dollars)*	2003	2002
Operating activities		
Net income	$ 559,781	$ 511,759
Adjustments to determine net cash from operating activities		
Future income taxes	73,328	54,147
Commission amortization	193,873	203,708
Amortization	27,416	27,148
Discontinued operations	–	(1,811)
Changes in operating assets and liabilities and other	(181,224)	(155,948)
	673,174	639,003
Commissions paid	(231,029)	(282,512)
	442,145	356,491
Financing activities		
Increase in deposits and certificates	20,444	37,764
Repayment of bankers' acceptances	–	(497,000)
Issue of debentures	300,000	175,000
Repayment of long-term debt	(279,285)	(150,903)
Issue of common shares	5,614	9,900
Preferred dividends paid	(20,700)	(20,700)
Common dividends paid	(253,323)	(217,313)
Common shares purchased for cancellation	(2,741)	–
	(229,991)	(663,252)
Investing activities		
Proceeds from sale of discontinued operations less cash and cash equivalents disposed of	–	20,253
Investment in affiliate *(Note 5)*	(100,000)	–
Acquisition of non-controlling interest *(Note 7)*	(4,733)	–
Purchase of securities	(9,001)	(16,666)
Proceeds from the sale of securities	91,658	126,388
Increase in loans	(105,848)	(111,043)
Proceeds from securitizations *(Note 4)*	126,747	217,443
Net proceeds from the sale of real estate	21	997
Additions to office premises	(13,205)	(13,364)
	(14,361)	224,008
Increase (decrease) in cash and cash equivalents	197,793	(82,753)
Cash and cash equivalents, beginning of year	771,522	854,275
Cash and cash equivalents, end of year	$ 969,315	$ 771,522
Cash	$ 148,131	$ 148,226
Cash equivalents	821,184	623,296
	$ 969,315	$ 771,522

(See accompanying notes to consolidated financial statements.)

Notes to Consolidated Financial Statements

DECEMBER 31, 2003 AND 2002 *(In thousands of dollars, except shares and per share amounts)*

1. Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual results may differ from such estimates.

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all subsidiaries on a consolidated basis after elimination of intercompany transactions and balances.

The equity method is used to account for the Company's investment in Great-West Lifeco Inc., an affiliated company. Both companies are controlled by Power Financial Corporation.

REVENUE RECOGNITION

Management and certain administration fees are based on the net asset value of mutual fund assets under management and are recognized on an accrual basis when the service is performed. Distribution revenues are recognized on a trade date basis.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and temporary investments consisting of highly liquid investments with short-term maturities.

SECURITIES

Investment securities comprise debt and equity securities held for long-term investment. Bonds and debentures are carried at amortized cost plus accrued interest. Discounts or premiums on the purchase of bonds and debentures are amortized over the remaining life of the security. Common and preferred shares and all other securities are carried at original cost plus declared dividends. Securities are written down to their fair value when an other than temporary decline in value is identified. Trading securities related to the Company's derivative activities are carried at fair value.

LOANS

Loans are carried at amortized cost plus accrued interest less an allowance for credit losses. Interest income is accounted for on the accrual basis for all loans other than impaired loans.

A loan is classified as impaired when, in the opinion of management, there no longer is reasonable assurance of the timely collection of the full amount of principal and interest. A loan is also classified as impaired when interest or principal is contractually past due 90 days, except in circumstances where management has determined that the collectibility of principal and interest is not in doubt. Once a loan is classified as impaired, any accrued and unpaid interest income is reversed and charged against interest income in the current period. Thereafter interest income is recognized on a cash basis.

The Company maintains an allowance for credit losses which is considered adequate by management to absorb all credit related losses in its portfolio. Specific allowances are established as a result of reviews of individual loans. There is a second category of allowance, designated general allowance, which is allocated against sectors rather than specifically against individual loans. This allowance is established where a prudent assessment by the Company suggests that losses may occur but where such losses cannot yet be identified on an individual loan basis.

1. Summary of significant accounting policies *(continued)*

SECURITIZATIONS

The Company periodically transfers mortgages and personal loans to commercial paper conduits that in turn issue securities to investors. The Company retains servicing responsibilities and certain elements of recourse with respect to credit losses on transferred loans. The Company also transfers NHA-insured mortgages through the issuance of mortgage-backed securities.

Transfers of loans are accounted for as sales provided that control over the transferred loans has been surrendered and consideration other than beneficial interests in the transferred loans has been received in exchange. The loans are removed from the consolidated balance sheet and a gain or loss is recognized in income immediately based on the carrying value of the loans transferred. The carrying value is allocated between the assets transferred and the retained interests in proportion to their fair values at the date of transfer. To obtain the fair value of the Company's retained interests, quoted market prices are used if available. However, quotes are generally not available for retained interests; so the Company estimates fair value based on the present value of future expected cash flows using management's best estimates of key assumptions such as prepayment rates, excess spread, expected credit losses and discount rates commensurate with the risks involved. Retained interests are reviewed quarterly for impairment. The Company continues to service the loans transferred. As a result, a servicing liability is recognized and amortized over the expected term of the transferred loans as servicing fees.

For all transfers of loans, the gains or losses and the servicing fee revenue are reported in net investment income and other in the consolidated statements of income. The retained interests in the securitized loans are recorded in other assets and the servicing liability is recorded in other liabilities on the consolidated balance sheets.

DEFERRED SELLING COMMISSIONS

Commissions paid on the sale of certain mutual fund products are deferred and amortized against related fee income over a maximum period of seven years. Commissions paid on the sale of deposits are deferred and amortized over the term of the deposit with a maximum amortization period of five years.

OFFICE PREMISES

Office premises, which are included in other assets, are recorded at cost of $223,712 (2002 – $210,757), less accumulated amortization of $142,723 (2002 – $118,094). The properties and related equipment and furnishings are amortized on a straight-line basis over their estimated lives.

GOODWILL AND INTANGIBLE ASSETS

Effective January 1, 2002, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3062 – Goodwill and Other Intangible Assets. Under this standard, goodwill as well as intangible assets with indefinite lives are no longer amortized but are reviewed at least annually for impairment and written down for impairment losses. Goodwill and intangible assets related to the acquisition of Mackenzie Financial Corporation (Mackenzie) were determined in the second quarter of 2002 after completing a comprehensive evaluation of the fair value of the assets acquired and liabilities assumed.

The Company has completed its annual impairment testing on the balance of goodwill and indefinite life intangible assets and determined that no impairment charge was necessary.

PENSION PLANS AND OTHER POST-RETIREMENT BENEFITS

The Company maintains a defined-benefit pension plan for substantially all of its eligible employees. The plan provides pensions based on length of service and final average earnings. The benefit obligation is actuarially determined and accrued using the projected benefit method prorated on service. Pension expense or income consists of the aggregate of the actuarially computed cost of pension benefits provided in respect of the current year's service, imputed interest on the funding excess or deficiency of the plan, and the amortization of actuarial gains or losses over the expected average remaining service life of employees. Plan assets are valued at fair value for purposes of calculating the expected long-term rate of return.

The Company also has an unfunded supplementary pension plan for certain executive officers. Pension expense related to current services is charged to income in the period during which the services are rendered.

The Company also provides certain post-retirement health care and life insurance benefits to eligible retirees. The cost of the benefits is actuarially determined and accrued using the projected benefit method prorated on service. The current cost of post-retirement health and life insurance benefits is charged to income in the period during which the services are rendered.

INCOME TAXES

The Company follows the liability method in accounting for income taxes whereby future income tax assets and liabilities reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Future income tax assets and liabilities are measured based on the enacted or substantively enacted tax rates which are expected to be in effect when the underlying items of income or expense are expected to be realized.

EARNINGS PER SHARE

Basic earnings per share is determined by dividing net income available to common shareholders by the average number of common shares outstanding for the year. Diluted earnings per share is determined using the same method as basic earnings per share except that the average number of common shares outstanding includes the potential dilutive effect of outstanding stock options granted by the Company as determined by the treasury method.

STOCK-BASED COMPENSATION

Effective January 1, 2002, the Company adopted the recommendations of the CICA Handbook Section 3870 – Stock-based Compensation and Other Stock-based Payments. All stock-based payments to non-employees are accounted for using a fair value-based method of accounting. The fair value-based method of accounting is not used for stock-based compensation for employees (see Note 14).

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are utilized by the Company in the management of interest rate and equity market exposures. The Company does not utilize derivative financial instruments for speculative purposes.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the consolidated balance sheet to assets under management or to anticipated future transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Company enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its long-term debt and mortgage banking activities. The swap agreements require the periodic exchange of net interest payments without the exchange of the notional principal amount on which the payments are based. The Company designates its interest rate swaps as hedges of the relevant assets or relevant liabilities and accounts for these swaps that are demonstrated as effective on the accrual basis. Interest income or interest expense is adjusted to include the payments under the interest rate swaps for effective hedges of interest bearing assets and liabilities, respectively. The related amount payable to or receivable from counterparties is included in Other liabilities or Other assets, respectively.

The Company enters into equity index swaps to offset changes that affect fee income earned on its mutual fund assets under management. The swap agreements require the periodic exchange of payments based on an equity index without the exchange of the notional principal amount on which the payments are based. The Company designates its equity swap agreements as hedges of the anticipated revenue stream and accounts for them on the accrual basis. Management fee income is adjusted to include the payments made or received under the equity index swaps.

1. Summary of significant accounting policies *(continued)*

DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

The Company also manages its exposure to market risk on its securities by either entering into forward sale contracts, purchasing a put option or by simultaneously purchasing a put option and writing a call option on the same security. The Company designates these contracts as hedges of the specified securities. Any unrealized gains and losses on the forward sales and options are accounted for on the deferral basis where gains and losses, including any premiums paid or received, are recognized in Net investment income and other on a basis consistent with the related securities.

In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instruments, any realized or unrealized gain or loss on such derivative instrument is recognized in income.

DISCLOSURE OF GUARANTEES

Effective January 1, 2003, the Company adopted the recommendations of the CICA Accounting Guideline 14 (AcG-14) – Disclosure of Guarantees, which identifies disclosure requirements for certain guarantees or groups of similar guarantees, even when the likelihood of the guarantor having to make any payments is slight.

In the normal course of operations, the Company may enter into agreements which may contain features which meet the AcG-14 definition of a guarantee, and while the maximum guarantee cannot always be determined given the nature of future events which may or may not occur, any such arrangements that are material have been previously disclosed by the Company.

ASSETS UNDER MANAGEMENT AND ASSETS UNDER ADMINISTRATION

The Company manages and administers assets owned by clients and third parties that are not reflected on the consolidated balance sheet. Mutual fund assets managed by the Company on behalf of its clients are considered assets under management. Mortgages serviced for third parties and assets administered in the Company's securities operations are considered assets under administration.

FUTURE ACCOUNTING CHANGES

Stock-based Compensation and Other Stock-based Payments

Effective January 1, 2004, CICA 3870, Stock-based Compensation and Other Stock-based Payments was amended to require expense treatment for all stock-based compensation and payments. Previously the standard encouraged, but did not require, the use of a fair value-based method to account for stock-based transactions with employees. On January 1, 2004, the Company will adopt the amended standard retroactively without restatement of prior periods for all stock-based compensation and payments to employees. The impact of adopting the new recommendations in the Company's consolidated financial statements will not be material.

Hedging Relationships

Accounting Guideline 13 – Hedging Relations (AcG-13) specifies the circumstances in which hedge accounting is appropriate, including the identification, documentation, designation, and effectiveness of hedges and the discontinuance of hedge accounting. Subsequent to January 1, 2004, derivatives that do not qualify for hedge accounting will be carried at fair value on the consolidated balance sheets, and changes in fair value will be recorded in the consolidated statements of income. Non-qualifying derivatives will continue to be utilized on a basis consistent with the risk management policies of the Company and will be monitored by the Company for effectiveness as economic hedges even if the specific hedge accounting requirements of AcG-13 are not met. The Company has reassessed its hedging relationships as at January 1, 2004 and has determined that the impact of adopting the new recommendation will not be material.

COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

2. Securities

	2003		2002	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Government bonds	$ –	$ –	$ 2,050	$ 2,096
Preferred shares	2,263	2,369	11,098	11,276
Common shares	77,564	213,976	111,239	235,850
Investments in mutual funds	26,405	27,687	31,799	31,893
	$ 106,232	$ 244,032	$ 156,186	$ 281,115

	TERM TO MATURITY				
	1 YEAR OR LESS	1 – 5 YEARS	NO SPECIFIC MATURITY	2003 TOTAL	2002 TOTAL
Government bonds	$ –	$ –	$ –	$ –	$ 2,050
Preferred shares	2,263	–	–	2,263	11,098
Common shares	–	–	77,564	77,564	111,239
Investments in mutual funds	–	–	26,405	26,405	31,799
	$ 2,263	$ –	$ 103,969	$ 106,232	$ 156,186

3. Loans

	TERM TO MATURITY				
	1 YEAR OR LESS	1 – 5 YEARS	OVER 5 YEARS	2003 TOTAL	2002 TOTAL
Residential mortgages	$ 138,091	$ 202,114	$ 6,271	$ 346,476	$ 362,934
Commercial mortgages	3,969	12,987	–	16,956	21,367
	142,060	215,101	6,271	363,432	384,301
Personal loans	53,776	111,626	20,673	186,075	186,210
	$ 195,836	$ 326,727	$ 26,944	549,507	570,511
Less: General allowance				21,495	21,542
				$ 528,012	$ 548,969
Impaired loans included above				$ 2,192	$ 2,158
Less: General allowance				21,495	21,542
				$ (19,303)	$ (19,384)

The change in the allowance for credit losses is as follows:		
Balance, beginning of year	$ 21,542	$ 21,321
Write-offs	(121)	(1,460)
Recoveries	214	799
Provision for credit losses	(140)	882
Balance, end of year	$ 21,495	$ 21,542

4. Securitizations

	2003		2002	
	PRINCIPAL AMOUNT SECURITIZED	NET GAIN	PRINCIPAL AMOUNT SECURITIZED	NET GAIN
Residential mortgages	$ 121,604	$ 1,412	$ 131,103	$ 1,974
NHA-insured mortgages	$ 5,727	$ 3	$ 57,772	$ 353
Personal loans	–	–	$ 32,153	$ 1,670

The Company's retained interest in the securitized loans includes cash reserve accounts and rights to future excess spread. This retained interest is subordinated to the interests of the related commercial paper conduits and mortgage-backed securities holders (the Purchasers). The Purchasers do not have recourse to the Company's other assets for any failure of the borrowers to pay when due.

The key economic assumptions used to value the retained interests at the date of securitization issuances for transactions completed during 2003 and 2002 were as follows:

2003	RESIDENTIAL MORTGAGES	NHA INSURED MORTGAGES
Weighted-average		
Remaining service life (in years)	2.4	5.0
Interest rate	5.25%	4.93%
Coupon rate of securities issued	4.29%	4.32%
Prepayment rate	15.00%	–%[1]
Discount rate	5.15%	4.60%
Servicing fees	0.25%	0.15%
Expected credit losses	0.05%	–

[1] *NHA insured mortgages securitized by the Company had no prepayment privileges.*

2002	RESIDENTIAL MORTGAGES	NHA INSURED MORTGAGES	PERSONAL LOANS
Weighted-average			
Remaining service life (in years)	2.0	5.6	n/a
Interest rate	5.61%	5.82%	Prime +1%
Coupon rate of securities issued	4.43%	4.92%	2.24%
Prepayment rate	15.00%	6.00%	10.00%
Discount rate	5.33%	5.16%	9.04%
Servicing fees	0.25%	0.21%	0.15%
Expected credit losses	0.05%	–	0.15%

At December 31, 2003, the current fair value of retained interests was $12,616 (2002 – $14,982). The sensitivity to immediate 10% and 20% adverse changes to key assumptions was considered to be immaterial.

The total loans reported on the Company's consolidated balance sheets, the securitized loans serviced by the Company, as well as cash flows related to securitization arrangements are as follows:

	2003	2002
Mortgages	$ 980,792	$ 1,153,048
Personal loans	216,416	235,994
	1,197,208	1,389,042
Less: Securitized loans serviced	669,196	840,073
Total on-balance sheet loans	$ 528,012	$ 548,969
Proceeds from new securitizations	$ 126,747	$ 217,443
Cash flows received on retained interests	$ 5,919	$ 3,997

5. Investment in affiliate

The Company holds a 4.2% equity interest in Great-West Lifeco Inc. (Lifeco).

	2003	2002
Carrying value, beginning of year	$ 320,988	$ 297,810
Investment	100,000	-
Share of earnings	54,505	38,516
Dividends	(19,818)	(15,338)
Dilution gain	14,820	–
Foreign currency translation adjustments	(9,840)	–
Carrying value, end of year	$ 460,655	$ 320,988
Fair value, end of year	$ 859,663	$ 604,605

On July 10, 2003, the Company purchased, by way of private placement, 2,662,690 common shares of Lifeco, an affiliate of the Company, for total consideration of $100 million in support of Lifeco's acquisition of Canada Life Financial Corporation (Canada Life). The Company currently holds 18,893,694 shares of Lifeco, which represents an equity interest of 4.2%.

As a result of this investment and the common shares issued by Lifeco as part of its acquisition of Canada Life, a dilution gain of $14.8 million (net of $6.7 million of goodwill disposed) was recognized in 2003.

6. Other assets

	2003	2002
Accounts and other receivables	$ 155,892	$ 155,299
Office premises	80,989	92,663
Accrued pension asset *(Note 10)*	40,892	39,919
Other	56,052	49,075
	$ 333,825	$ 336,956

7. Goodwill and intangible assets

During the second quarter of 2002, the Company completed a comprehensive evaluation of the fair value of the assets acquired and liabilities assumed on the acquisition of Mackenzie in 2001. The amount assigned to intangible assets represents the fair value of mutual fund management contracts and trade names acquired. Both of these intangible assets have indefinite useful lives and are therefore not subject to amortization.

Changes in the Company's goodwill and intangible assets are as follows:

	2003	2002
Goodwill		
Carrying value, beginning of year	$ 2,265,665	$ 3,020,922
Reclassification between goodwill and intangible assets	–	(859,948)
Reclassification between goodwill and future income taxes	–	130,153
Goodwill acquired during the year	4,170	–
Goodwill disposed of during the year	–	(25,462)
Carrying value, end of year	$ 2,269,835	$ 2,265,665
Allocated to reportable segments as follows:		
Investors Group	$ 1,346,245	$ 1,346,245
Mackenzie	923,590	919,420
	$ 2,269,835	$ 2,265,665
Intangible assets		
Carrying value, beginning of year	$ 859,948	$ –
Reclassified from goodwill		
Mutual fund management contracts	–	591,580
Trade names	–	268,368
Carrying value, end of year	$ 859,948	$ 859,948
Total carrying value, end of year	$ 3,129,783	$ 3,125,613

At December 31, 2002, the Company owned 69.1% of the common shares of Winfund Software Corp. (Winfund). On February 26, 2003, the Company acquired the remaining outstanding common shares of Winfund for total cash consideration of $4,733. In the second quarter of 2003, the Company completed the evaluation of the fair value of the net assets acquired. The excess of the consideration paid over the fair value of the identifiable net assets acquired of $4,170 has been recorded as goodwill and has been allocated to the Mackenzie reportable segment.

8. Deposits and certificates

Included in the assets of the consolidated balance sheets are cash and investments amounting to $729,456 (2002 – $709,012) held in trust and set aside in respect of the deposits of Investors Group Trust Co. Ltd., The Trust Company of London Life and M.R.S. Trust Company, and the certificates issued by Investors Syndicate Limited.

	TERM TO MATURITY					
	DEMAND	1 YEAR OR LESS	1 – 5 YEARS	OVER 5 YEARS	2003 TOTAL	2002 TOTAL
Deposits	$ 457,433	$ 105,530	$ 153,168	$ 3,814	$ 719,945	$ 697,992
Certificates	–	1,056	3,453	5,002	9,511	11,020
	$ 457,433	$ 106,586	$ 156,621	$ 8,816	$ 729,456	$ 709,012

9. Other liabilities

	2003	2002
Accounts payable and accrued liabilities	$ 198,654	$ 202,981
Taxes payable	98,628	77,036
Dividends and interest payable	81,996	80,332
Restructuring costs	56,337	105,665
Accrued employee benefit obligations *(Note 10)*	42,199	39,977
Deferred revenue	13,849	13,950
Other	71,157	119,935
	$ 562,820	$ 639,876

10. Pension plans and other post-retirement benefits

EMPLOYEE PENSION PLAN

The Company maintains a defined benefit pension plan which covers substantially all of its eligible employees. Changes in the fair value of plan assets and the accrued pension obligation are as follows:

	2003	2002
Fair value of plan assets		
Balance, beginning of year	$ 140,325	$ 142,581
Employee contributions	2,568	2,529
Benefits paid	(6,059)	(7,204)
Return on plan assets	17,933	2,419
Balance, end of year	154,767	140,325
Accrued benefit obligation		
Balance, beginning of year	94,656	84,250
Benefits paid	(6,059)	(7,204)
Current service cost	3,044	2,953
Employee contributions	2,568	2,529
Interest cost	6,758	5,986
Actuarial losses	5,606	6,142
Balance, end of year	106,573	94,656
Funded status – plan surplus	48,194	45,669
Unamortized net actuarial gains	(7,302)	(5,750)
Accrued pension asset	$ 40,892	$ 39,919
Pension income was determined as follows:		
Current service cost	$ 3,044	$ 2,953
Interest cost	6,758	5,986
Expected return on plan assets	(9,701)	(9,817)
Amortization of net actuarial gains	(1,075)	(2,209)
	$ (974)	$ (3,087)
Significant weighted-average actuarial assumptions:		
Discount rate	6.60%	6.95%
Expected long-term rate of return on plan assets	7.00%	7.00%
Rate of compensation increase	6.10%	6.10%

10. Pension plans and other post-retirement benefits *(continued)*

SUPPLEMENTARY EMPLOYEE RETIREMENT PLAN

The Company maintains an unfunded supplementary pension plan for certain executive officers.

	2003	2002
Accrued benefit obligation	$ 11,515	$ 10,476
Unamortized actuarial gains	1,935	2,833
Accrued benefit liability, end of year	$ 13,450	$ 13,309
Pension expense	$ 863	$ 1,585
Significant weighted-average actuarial assumptions:		
Discount rate	6.50%	6.88%
Rate of compensation increase	6.10%	6.10%

POST-RETIREMENT BENEFIT PLANS

The Company also provides certain unfunded post-retirement health care and life insurance benefits to eligible retirees.

	2003	2002
Accrued benefit liability		
Balance, beginning of year	$ 23,681	$ 20,733
Benefits paid	(914)	(879)
Current service cost	1,490	1,325
Interest cost	1,730	1,567
Actuarial losses	4,342	935
	30,329	23,681
Unamortized actuarial (losses) gains	(1,580)	2,987
Balance, end of year	$ 28,749	$ 26,668
Benefit expense was determined as follows:		
Current service cost	$ 1,490	$ 1,325
Interest cost	1,730	1,567
Amortization of net actuarial gains	(225)	(283)
	$ 2,995	$ 2,609
Significant weighted-average actuarial assumptions:		
Discount rate	6.75%	7.00%
Medical trend rate	11.00%	5.60%

The medical trend rate is expected to decline to 5.0% annually in 2010.

11. Income taxes

The Company's effective income tax rate is derived as follows:

	2003	2002
Income taxes at federal and provincial statutory rates	37.92%	40.46%
Effect of:		
Dividend income	(0.24)	(0.33)
Net capital gains and losses	(0.86)	(0.05)
Dilution gain *(Note 5)*	(0.69)	-
Share of earnings of affiliate *(Note 5)*	(2.49)	(1.94)
Impact of rate changes on future income taxes related to indefinite life intangibles	2.89	-
Tax on large corporations	0.02	0.02
Lower effective rate of tax on income not subject to tax in Canada and other items	(1.72)	0.19
Effective income tax rate	34.83%	38.35%

	2003	2002
Components of income tax expense are:		
Current income taxes	$ 225,870	$ 263,254
Future income taxes	73,328	54,147
	$ 299,198	$ 317,401

Future income taxes consist of the following taxable temporary differences:

	2003	2002
Future income tax assets		
Restructuring costs	$ 20,478	$ 40,703
Accrued employee benefit obligations	16,269	14,974
Investment revaluations	10,206	9,935
Deferred revenue	6,373	7,664
Other	110,674	49,756
	164,000	123,032
Future income tax liabilities		
Deferred selling commissions	275,194	258,161
Intangible assets	155,006	130,153
Other	108,872	36,462
	539,072	424,776
Future income taxes	$ 375,072	$ 301,744

12. Long-term debt

	RATE	MATURITY	2003	2002
Debentures in Series [a]				
1997	6.65%	December 13, 2027	$ 125,000	$ 125,000
2001	6.75%	May 9, 2011	450,000	450,000
2001	7.45%	May 9, 2031	150,000	150,000
2002	7.00%	December 31, 2032	175,000	175,000
2003	6.58%	March 7, 2018	150,000	–
2003	7.11%	March 7, 2033	150,000	–
Notes payable to related parties				
Quadrus Investment Services Ltd.	–	December 31, 2003	–	6,000
Power Financial Corporation	10.60%	January 16, 2006	28,580	30,365
Floating Bankers' Acceptance [b]	–	May 30, 2006	175,000	450,000
			$ 1,403,580	$ 1,386,365

[a] *The debentures are redeemable by the Company, in whole or in part, at any time, at the greater of par and a formula price based upon yields at the time of redemption.*

[b] *A syndicate of banks provided the Company with a non-revolving credit facility bearing interest that fluctuates with Canadian bankers' acceptances. In 2003, the Company repaid $275,000 of this credit facility.*

Interest expense relating to long-term debt was $93,563 (2002 – $81,650).

The annual principal payments in each of the next five years are: 2004 – $1,785; 2005 – $1,785; 2006 – $200,010; 2007 – nil; and 2008 – nil.

13. Share capital

AUTHORIZED

Unlimited number of:

- First preferred shares, issuable in series
- Second preferred shares, issuable in series
- Class 1 non-voting shares
- Common shares

ISSUED AND OUTSTANDING

	2003		2002	
	SHARES	STATED VALUE	SHARES	STATED VALUE
First preferred shares, Series A	14,400,000	$ 360,000	14,400,000	$ 360,000
Common shares				
Balance, beginning of year	263,845,333	$ 1,441,063	263,081,731	$ 1,431,163
Issued under Stock Option Plan	356,758	5,614	763,602	9,900
Purchased for cancellation	(112,300)	(614)	–	–
Balance, end of year	264,089,791	$ 1,446,063	263,845,333	$ 1,441,063

PREFERRED SHARES

The preferred shares are entitled to a fixed 5.75% annual non-cumulative dividend payable quarterly. Such shares are redeemable by the Company on or after June 30, 2009 in cash, at $26.00 per share if redeemed prior to June 30, 2010, $25.67 if redeemed on or after June 30, 2010, but prior to June 30, 2011, $25.33 if redeemed on or after June 30, 2011, but prior to June 30, 2012 and $25.00 if redeemed on or after June 30, 2012. On or after June 30, 2009, the Company may convert each preferred share into that number of common shares determined by dividing the then applicable redemption price by the greater of $2.00 and 95% of the weighted-average trading price of the common shares at such time. On or after June 30, 2013, subject to the right of the Company to redeem for cash or to find substitute purchasers for such shares, each preferred share will be convertible at the option of the holder into that number of common shares determined by dividing $25.00 by the greater of $2.00 and 95% of the weighted-average trading price of the common shares at such time.

NORMAL COURSE ISSUER BID

The Company commenced a normal course issuer bid, effective for one year, on February 22, 2003. Under this bid, the Company may purchase up to 13.2 million or 5% of its common shares as at January 31, 2003. As at December 31, 2003, 112,300 shares were purchased at a cost of $2,741 and the premium paid to purchase the shares was charged to retained earnings. On February 22, 2002, the Company commenced a normal course issuer bid, effective for one year, authorizing it to purchase up to 13.2 million or 5% of its common shares outstanding as at January 31, 2002. There were no purchases under this bid during 2002.

14. Stock-based compensation

STOCK OPTION PLAN

Under the terms of the Company's Stock Option Plan (Plan), options to purchase common shares are periodically granted to designated officers, employees and financial planning consultants at prices not less than the market price of such shares immediately prior to the grant date. The options are subject to time and/or performance vesting conditions set out at the grant date and are exercisable no later than 10 years after the grant date.

In 2002, the Company's Plan was amended to provide that an additional 15,000,000 common shares of the Company be reserved for issuance under the Plan. At December 31, 2003, 18,908,341 (2002 – 19,265,099) common shares were reserved for issuance under the Plan. Any consideration paid on exercise of stock options to purchase stock is credited to share capital.

During the year ended December 31, 2003, the Company issued 1,450,594 options to employees and 86,500 options to non-employees. A portion of the options granted to employees are subject to performance targets. The fair value of options granted has been estimated at $5.34 per option using the Black-Scholes option pricing model, based on the following assumptions: (i) risk-free interest rate of 4.58%, (ii) expected option life of six years, (iii) expected volatility of 25.00% and (iv) expected dividend yield of 3.70%.

The Company recorded compensation expense of $171 (2002 – $101) for the year ended December 31, 2003 for options issued to non-employees.

If the Company had used the fair value method of accounting for stock options granted to employees, the Company's results would have been as follows:

Proforma net income available to common shareholders	$ 538,010
Proforma earnings per common share – basic	$ 2.039
Proforma earnings per common share – diluted	$ 2.029

14. Stock-based compensation *(continued)*

STOCK OPTION PLAN *(continued)*

	2003		2002	
	NUMBER OF OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
Balance, beginning of year	5,536,834	$ 19.55	6,389,231	$ 18.65
Granted	1,537,094	25.72	106,740	27.81
Exercised	(356,758)	15.73	(763,602)	12.96
Cancelled	(414,147)	20.54	(195,535)	20.35
Balance, end of year	6,303,023	$ 21.21	5,536,834	$ 19.55
Exercisable, end of year	2,292,297	$ 18.99	1,636,995	$ 17.32

Options outstanding at December 31, 2003	EXPIRY DATE	EXERCISE PRICE $	OPTIONS OUTSTANDING	OPTIONS EXERCISABLE
	2005	8.66	262,141	262,141
	2006	8.89	–	–
	2007	12.98-13.54	106,440	106,440
	2008	18.85-20.99	97,400	97,400
	2009	18.99-24.27	674,500	566,500
	2010	17.00	66,900	35,700
	2011	19.83-22.78	3,498,549	1,204,834
	2012	27.81	103,740	19,282
	2013	25.66-28.66	1,493,353	–
			6,303,023	2,292,297

SHARE PURCHASE PLANS

Under the Company's share purchase plans, eligible employees and financial planning consultants can choose each year to have a percentage of their annual earnings withheld, subject to a maximum, to purchase the Company's common shares. The Company matches 50% of the contribution amounts. All contributions are used by the plan trustee to purchase common shares in the open market. Shares purchased with Company contributions vest after a maximum period of three years following the date of purchase. The Company's contributions are recorded in non-commission expense as paid and totalled $3,030 (2002 – $3,433).

15. Off-balance sheet financial instruments

The Company enters into derivative contracts which are negotiated in the over-the-counter market with Schedule I and Schedule II Chartered bank counterparties on a diversified basis. In all cases the derivative contracts are used for non-trading purposes and they are designated as hedges. Interest rate swaps are contractual agreements between two parties to exchange the related interest payments based on a specified notional amount and reference rate for a specified period. Interest rate swaps are used for the purpose of asset and liability management to manage interest rate risk. Equity index swaps are contractual agreements to exchange payments based on a specified notional amount and the stock market index reference for a specific period. Options are contractual agreements which convey the right, but not the obligation, to buy or sell specific securities at a fixed price at a future date. Forward sales are contractual agreements to sell a financial instrument on a future date at a specified price. Equity index swaps, options and forward sales are used to manage equity market risk through hedging activities that are designed to offset changes in the equity markets that affect income earned on the Company's securities and on the Company's assets under management.

The amount subject to credit risk is limited to the current fair value of the instruments which are in a gain position. This represents only a small percentage of the notional amount. The credit risk is presented without giving effect to any netting agreements or collateral arrangements and does not reflect actual or expected losses. The total estimated fair value represents the total amount that the Company would receive or pay to terminate all agreements at each year end. However, this does not result in a gain or loss to the Company as the derivative instruments which correlate to certain assets and liabilities provide offsetting gains or losses.

The following table summarizes the Company's off-balance sheet financial instruments at December 31:

	NOTIONAL AMOUNT				
2003	1 YEAR OR LESS	1 – 5 YEARS	TOTAL	CREDIT RISK	TOTAL ESTIMATED FAIR VALUE
Swaps	$ 100,000	$ 150,500	$ 250,500	$ –	$ (7,502)
Options purchased	14,571	47,515	62,086	770	770
Options written	17,528	60,470	77,998	–	(13,039)
Forward sales	–	16,545	16,545	1,404	(391)
	$ 132,099	$ 275,030	$ 407,129	$ 2,174	$ (20,162)
2002					
Swaps	$ 71,000	$ 560,300	$ 631,300	$ –	$ (21,541)
Options purchased	22,129	62,086	84,215	6,005	6,005
Options written	23,473	77,998	101,471	–	(9,626)
Forward sales	–	16,545	16,545	3,837	3,753
	$ 116,602	$ 716,929	$ 833,531	$ 9,842	$ (21,409)

16. Fair value of financial instruments

The following table presents the fair value of on and off-balance sheet financial instruments using the valuation methods and assumptions described below. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties under no compulsion to act and best evidenced by a quoted market price, if one exists. Fair values are management's estimates and are generally calculated using market conditions at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, involve uncertainties and matters of significant judgment.

	2003		2002	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Assets				
Cash and cash equivalents	$ 969,315	$ 969,315	$ 771,522	$ 771,522
Securities	106,232	244,032	156,186	281,115
Loans	528,012	531,142	548,969	555,508
Accounts and other receivables	155,892	155,892	155,299	155,299
Total financial assets	$ 1,759,451	$ 1,900,381	$ 1,631,976	$ 1,763,444
Liabilities				
Deposits and certificates	$ 729,456	$ 738,454	$ 709,012	$ 718,155
Other financial liabilities	450,343	450,343	548,377	548,377
Long-term debt	1,403,580	1,518,823	1,386,365	1,429,178
Total financial liabilities	$ 2,583,379	$ 2,707,620	$ 2,643,754	$ 2,695,710
Derivatives *(Note 15)*	$ –	$ (20,162)	$ –	$ (21,409)

16. Fair value of financial instruments *(continued)*

Fair value is determined using the following methods and assumptions:

- The fair value of short-term financial instruments approximate carrying value. These include cash and cash equivalents, accounts and other receivables, and other financial liabilities.
- Securities are valued at quoted market prices, when available. When a quoted market price is not readily available, alternative valuation methods may be used.
- Loans are valued by discounting the expected future cash flows at market interest rates for loans with similar credit risk.
- Deposits and certificates are determined by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.
- Long-term debt is determined by reference to current market prices for debentures and notes payable with similar terms and risks.
- Derivative financial instruments' fair values are based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or net present value analysis.

17. Earnings per common share

	2003	2002
Earnings		
Income before discontinued operations	$ 559,781	$ 509,948
Discontinued operations	–	1,811
Net income	559,781	511,759
Preferred dividends	20,700	20,700
Net income available to common shareholders	$ 539,081	$ 491,059
Number of common shares *(in thousands)*		
Average number of common shares outstanding	263,915	263,487
Add:		
– Potential exercise of outstanding stock options	1,259	1,386
Average number of common shares outstanding – diluted basis	265,174	264,873
Earnings per common share *(in dollars)*		
Basic		
Excluding discontinued operations	$ 2.043	$ 1.857
Including discontinued operations	$ 2.043	$ 1.864
Diluted		
Excluding discontinued operations	$ 2.033	$ 1.847
Including discontinued operations	$ 2.033	$ 1.854

In certain circumstances, the preferred shares referred to in Note 13 are convertible into common shares. These conversions are not included in the calculation of diluted earnings per share as the Company has the option to settle in cash instead of shares.

18. Commitments

The Company is committed to the following annual lease payments under its operating leases: 2004 – $36,621; 2005 – $31,805; 2006 – $26,941; 2007 – $23,926 and 2008 – $19,614.

19. Related party transactions

The Company enters into transactions with The Great-West Life Assurance Company (Great-West) and London Life Insurance Company (London Life), subsidiaries of its affiliate, Lifeco. These transactions are in the normal course of operations and at market terms and conditions.

During 2003 and 2002, the Company provided to and received from Great-West, a member of the Power Financial Corporation group of companies, certain administrative services. The Company distributes life insurance and disability insurance products under a distribution agreement with Great-West and received $17,709 in distribution fees (2002 – $17,082). London Life distributes certain mutual funds of the Company.

During 2003, the Company sold residential mortgage loans to Great-West and London Life for $160,742 (2002 – $200,088).

During 2003, Mackenzie Financial Corporation (Mackenzie), a subsidiary of the Company, entered into an arrangement involving entities managed by Mackenzie. As part of this arrangement, the parties have the legal right and intend to settle on a net basis certain related party financial assets and liabilities. These assets and liabilities, which totalled $2.2 billion at December 31, 2003, have been offset and, accordingly, have no impact on the consolidated balance sheets. Mackenzie earned investment income of $814 and incurred expenses of $814 related thereto.

20. Segmented information

Investors Group and Mackenzie earn fee-based revenues in the conduct of their core business activities which are primarily related to the distribution, management and administration of their mutual funds. Fee revenues are also derived from the provision of brokerage services. Intermediary revenues are derived primarily from the assets funded by deposit and certificate products and from mortgage banking and servicing activities. In addition, Investors Group earns fee revenue from the distribution of insurance products.

Corporate and Other includes primarily net investment income on unallocated investments and interest expense on corporate debt.

2003	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Total assets under management and administration:	$ 43,276,465	$ 39,578,560	$ 700,872	$ 83,555,897
Income	$ 1,075,566	$ 762,709	$ 35,906	$ 1,874,181
Expenses	427,138	541,282	1,057	969,477
Earnings before undernoted	$ 648,428	$ 221,427	$ 34,849	904,704
Restructuring reversal				24,832
Interest expense				(85,377)
				844,159
Dilution gain				14,820
Income before income taxes and discontinued operations				858,979
Income taxes				299,198
Net income				559,781
Preferred dividends				20,700
Net income available to common shareholders				$ 539,081

20. Segmented information *(continued)*

2002	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Total assets under management and administration:	$ 39,678,103	$ 35,281,603	$ 648,644	$ 75,608,350
Income	$ 1,130,042	$ 801,197	$ 8,476	$ 1,939,715
Expenses	449,581	583,271	–	1,032,852
Earnings before undernoted	$ 680,461	$ 217,926	$ 8,476	906,863
Interest expense				(79,514)
Income before income taxes and discontinued operations				827,349
Income taxes				317,401
Income before discontinued operations				509,948
Discontinued operations				1,811
Net income				511,759
Preferred dividends				20,700
Net income available to common shareholders				$ 491,059

21. Restructuring

Following the acquisition of Mackenzie, the Company commenced the integration and rationalization of its administration, systems and operations. The restructuring costs related primarily to severance and related expenses, contract termination costs, decommissioning of systems and other expenses.

In the fourth quarter, the Company changed its estimate for restructuring, resulting in a $24.8 million reversal. The change in estimate resulted from facts and circumstances occurring subsequent to the original charges.

	2003	2002
Balance at beginning of year	$ 69,786	$ 85,242
Utilized during the year	(6,617)	(15,456)
Change in estimate	(24,832)	–
Balance at end of year	$ 38,337	$ 69,786

Of the $38.3 million balance, $9.6 million relates to termination benefits, $7.5 million relates to contract termination costs and the remaining $21.1 million relates to decommissioning of systems and other expenses. The balance includes $14.9 million in liabilities related to completed activities and $23.4 million related to projects in progress.

22. Discontinued operations

On August 29, 2002 (measurement date), Mackenzie and its majority-owned (85.7%) subsidiary, Mackenzie Investment Management, Inc. (Mackenzie Investment), a U.S. financial services company, entered into an agreement to sell Mackenzie Investment to Waddell & Reed Financial, Inc. On December 16, 2002 (disposal date), Mackenzie completed the sale. The disposition was made for proceeds of $94,674, net of the amount allocated to non-controlling interest, resulting in a net gain of $1,973. The gain on sale includes the recognition of the cumulative foreign currency translation adjustment at the disposal date of $1,085 and the results of operations between the measurement date and disposal date.

	2003	2002
Revenue	$ –	$ 29,822
Loss from operations	–	(162)
Net gain on sale of discontinued operations	–	1,973
Discontinued operations	$ –	$ 1,811

Quarterly Review

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31 *($ thousands, except per share amounts)*	2003				2002			
	4	3	2	1	4	3	2	1
Fee and net investment income								
Management	$ 341,836	$ 330,119	$ 313,830	$ 310,329	$ 321,713	$ 332,413	$ 366,024	$ 359,773
Administration	72,339	70,433	70,116	73,889	74,259	74,580	70,724	75,758
Distribution	32,644	31,569	33,144	34,125	35,421	34,300	34,638	33,602
Net investment income and other	37,951	42,255	43,061	36,541	33,102	33,111	30,103	30,194
Total fee and net investment income	484,770	474,376	460,151	454,884	464,495	474,404	501,489	499,327
Operating expenses								
Commission expense	126,355	117,143	115,772	116,065	117,134	118,821	129,766	131,759
Non-commission expense	120,601	122,255	121,190	130,096	130,195	125,877	133,597	145,703
Interest expense	23,623	19,302	21,521	20,931	19,471	19,801	19,947	20,295
Restructuring (reversal) costs	(24,832)	–	–	–	–	–	–	–
Total operating expenses	245,747	258,700	258,483	267,092	266,800	264,499	283,310	297,757
	239,023	215,676	201,668	187,792	197,695	209,905	218,179	201,570
Dilution gain	–	14,820	–	–	–	–	–	–
Income before undernoted	239,023	230,496	201,668	187,792	197,695	209,905	218,179	201,570
Income taxes	99,286	69,899	67,143	62,870	76,693	78,486	82,100	80,122
	139,737	160,597	134,525	124,922	121,002	131,419	136,079	121,448
Discontinued operations	–	–	–	–	3,452	(1,576)	(329)	264
Net income	139,737	160,597	134,525	124,922	124,454	129,843	135,750	121,712
Preferred dividends	5,175	5,175	5,175	5,175	5,175	5,175	5,175	5,175
Net income available to common shareholders								
In accordance with GAAP	$ 134,562	$ 155,422	$ 129,350	$ 119,747	$ 119,279	$ 124,668	$ 130,575	$ 116,537
Reconciliation of non-GAAP financial measures[1]								
Net income available to common shareholders (non-GAAP)	$ 143,864	$140,602	$ –	$ –	$ –	$ –	$ –	$ –
Dilution gain	–	14,820	–	–	–	–	–	–
Restructuring reversal (net of tax)	15,551	–	–	–	–	–	–	–
Non-cash income tax charge	(24,853)	–	–	–	–	–	–	–
Net income available to common shareholders (GAAP)	$ 134,562	$155,422	$ –	$ –	$ –	$ –	$ –	$ –
Diluted earnings per share (¢)								
In accordance with GAAP	50.7	58.6	48.8	45.2	45.0	47.1	49.2	44.0
Excluding dilution gain, restructuring reversal related to Mackenzie and income tax charge[1]	54.2	53.0	–	–	–	–	–	–
Dividends per share (¢)	25.5	25.5	24.0	24.0	22.5	22.5	20.5	20.5

STATISTICAL DATA *($ millions)*

Mutual funds								
Investors Group								
Sales	$ 998	$ 888	$ 914	$ 1,221	$ 965	$ 964	$ 1,256	$ 1,731
Redemption rate (%) – total	12.8	13.9	13.9	13.4	12.6	11.7	11.2	11.1
– long-term funds	10.7	11.4	11.3	10.9	10.2	9.6	9.2	9.1
Net sales (redemptions)	(93)	(283)	(382)	(81)	(440)	(216)	(23)	570
Assets under management	40,904	38,448	37,594	35,655	37,588	36,423	39,921	43,080
Mackenzie Financial Corporation[2]								
Sales	1,618	1,124	1,041	1,499	1,320	1,177	1,672	1,829
Redemption rate (%) – total	17.3	17.3	17.6	17.9	17.6	17.7	17.2	17.5
– long-term funds	13.0	12.5	12.7	12.7	11.9	11.8	11.2	11.5
Net sales (redemptions)	189	(39)	(220)	1	11	(101)	137	241
Assets under management	33,770	31,498	30,271	28,762	30,860	30,037	32,464	34,707
Combined assets under management	74,674	69,946	67,865	64,417	68,448	66,460	72,385	77,787
Insurance in force *(face amount)*	31,307	30,296	29,320	28,318	27,546	26,725	26,583	25,127
Securities operations assets under administration	5,785	5,347	5,096	4,675	4,938	4,089	4,309	4,419
Mortgages serviced	6,425	6,529	6,668	6,794	6,938	7,088	7,257	7,463
Deposits and certificates	729	714	738	759	709	700	699	681
Corporate assets	6,292	6,246	6,126	6,162	5,987	6,165	6,087	6,156
Consultants	3,223	3,192	3,186	3,246	3,324	3,266	3,321	3,361

[1] *Refer to page 23 of the MD&A for an explanation of the Company's use of non-GAAP financial measures.* [2] *For Canadian mutual fund operations only.*

Ten Year Review

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31 *($ thousands, except per share amounts)*	2003	2002	2001	2000	1999	*5 YEAR % CAGR*(1)	1998	1997	1996	1995	1994	*10 YEAR % CAGR*(1)
Fee income	1,714,373	1,813,205	1,626,934	1,075,504	939,656	*14.7*	864,445	730,819	544,375	434,447	407,710	*17.7*
Net investment income	159,808	126,510	133,515	121,604	86,782	*16.7*	73,730	71,031	69,101	54,014	39,571	*12.8*
	1,874,181	1,939,715	1,760,449	1,197,108	1,026,438	*14.8*	938,175	801,850	613,476	488,461	447,281	*17.2*
Operating expenses	1,030,022	1,112,366	1,163,128	690,398	612,300	*10.9*	614,004	552,454	434,643	339,705	327,100	*13.5*
	844,159	827,349	597,321	506,710	414,138	*21.1*	324,171	249,396	178,833	148,756	120,181	*24.5*
Dilution gain	14,820	–	–	–	–	–	–	–	–	–	–	–
Income before undernoted	858,979	827,349	597,321	506,710	414,138	*21.5*	324,171	249,396	178,833	148,756	120,181	*28.4*
Income taxes	299,198	317,401	252,474	222,418	178,525	*17.1*	135,827	101,884	61,331	51,049	35,578	*28.6*
	559,781	509,948	344,847	284,292	235,613	*24.3*	188,344	147,512	117,502	97,707	84,603	*23.1*
Goodwill amortization, net of tax	–	–	71,969	267	–	–	–	–	–	–	–	–
	559,781	509,948	272,878	284,025	235,613	*24.3*	188,344	147,512	117,502	97,707	84,603	*23.1*
Discontinued operations	–	1,811	116	–	–	–	–	–	–	–	–	–
Net income	559,781	511,759	272,994	284,025	235,613	*24.3*	188,344	147,512	117,502	97,707	84,603	*23.1*
Preferred dividends	20,700	20,700	13,299	–	–	–	–	–	–	–	–	–
Net income available to common shareholders												
In accordance with GAAP	539,081	491,059	259,695	284,025	235,613	*23.4*	188,344	147,512	117,502	97,707	84,603	*22.6*
Excluding dilution gain, restructuring reversal related to Mackenzie and income tax charge (2)	533,563	–	–	–	–	–	–	–	–	–	–	–
Excluding goodwill amortization and Mackenzie restructuring costs (2)	–	–	392,637	284,292	–	–	–	–	–	–	–	–
Diluted earnings per share *($)*												
In accordance with GAAP	2.03	1.85	1.05	1.35	1.12	*17.9*	0.89	0.70	0.56	0.46	0.40	*19.8*
Excluding dilution gain, restructuring reversal related to Mackenzie and income tax charge (2)	2.01	–	–	–	–	–	–	–	–	–	–	–
Excluding goodwill amortization and Mackenzie restructuring costs (2)	–	–	1.58	1.35	–	–	–	–	–	–	–	–
Dividends per share *(¢)*	99	86	73	61	49	*21.1*	38	30	25	19	16	*23.0*
Return on average common equity (ROE) *(%)*												
In accordance with GAAP	19.1	19.2	16.7	28.1	26.4	–	23.8	21.1	18.8	17.3	16.6	–
Excluding dilution gain, restructuring reversal related to Mackenzie and income tax charge (2)	18.9	–	–	–	–	–	–	–	–	–	–	–
Excluding goodwill amortization and Mackenzie restructuring costs (2)	–	–	19.6	28.1	–	–	–	–	–	–	–	–
Average shares outstanding *(thousands)*												
– Basic	263,915	263,487	247,093	210,012	210,854	–	211,396	211,383	211,370	211,370	211,370	–
– Diluted	265,174	264,873	247,932	210,870	210,854	–	211,396	211,383	211,370	211,370	211,370	–
Share price *(closing $)*	31.05	26.75	25.50	25.95	20.60	*3.3*	26.40	22.60	13.50	8.31	8.69	*10.6*

Includes Mackenzie from date of acquisition (April 20, 2001).

(1) Compound annual growth rate. *(2) Refer to page 23 of the MD&A for an explanation of the Company's use of non-GAAP financial measures.*

Ten Year Review

STATISTICAL INFORMATION

FOR THE YEARS ENDED DECEMBER 31 *($ millions)*	2003	2002	2001	2000	1999	5 YEAR % *CAGR*(1)	1998	1997	1996	1995	1994	10 YEAR % *CAGR*(1)
Mutual funds												
Investors Group												
Sales	4,021	4,916	6,027	7,053	5,915	*(8.6)*	6,296	6,513	5,031	3,472	4,240	*0.2*
Redemption rates *(%)*												
– total	12.8	12.6	11.6	14.0	11.9	–	10.0	9.9	11.6	15.4	13.7	–
– long-term funds	10.7	10.2	9.6	11.7	9.8	–	8.3	8.2	9.5	13.2	11.6	–
Net sales (redemptions)	(839)	(109)	1,031	976	1,370	*N/M*	2,887	3,522	2,361	543	1,900	*N/M*
Assets under management	40,904	37,588	41,644	44,498	40,650	*2.6*	36,064	32,248	25,912	20,262	17,571	*10.0*
Mackenzie (2)												
Sales	5,282	5,998	3,454	–	–	–	–	–	–	–	–	–
Redemption rates *(%)*												
– total	17.3	17.6	16.7	–	–	–	–	–	–	–	–	–
– long-term funds	13.0	11.9	11.6	–	–	–	–	–	–	–	–	–
Net sales (redemptions)	(69)	288	24	–	–	–	–	–	–	–	–	–
Assets under management	33,770	30,860	33,400	–	–	–	–	–	–	–	–	–
Combined assets under management	74,674	68,448	75,044	44,498	40,650	*15.7*	36,064	32,248	25,912	20,262	17,571	*16.8*
Insurance in force *(face amount)*	31,307	27,546	24,374	20,876	18,086	*16.6*	14,548	12,279	10,327	9,256	8,158	*15.2*
Securities operations assets under administration	5,785	4,938	4,104	2,646	1,471	*57.9*	590	316	128	–	–	–
Mortgages serviced	6,425	6,938	7,659	7,147	7,569	*(4.6)*	8,144	4,157	4,145	3,935	3,541	*7.5*
Deposits and certificates	729	709	671	219	307	*14.4*	372	488	986	1,032	1,085	*(5.2)*
Corporate assets	6,292	5,987	6,122	1,985	1,812	*28.5*	1,799	1,765	1,959	1,904	1,866	*12.4*
Consultants	3,223	3,324	3,409	3,483	3,626	*(3.1)*	3,774	3,507	3,187	3,032	3,395	*0.7*

Includes Mackenzie from date of acquisition (April 20, 2001).

(1)*Compound annual growth rate.* (2)*For Canadian mutual fund operations only.*

Board of Directors

James W. Burns, O.C. (1,3)
Director Emeritus
Power Corporation of Canada

André Desmarais, O.C. (1,4,5)
President and Co-Chief Executive Officer
Power Corporation of Canada

Paul G. Desmarais, P.C., C.C.
Chairman of the Executive Committee
Power Corporation of Canada

Paul Desmarais, Jr. (1,4,5)
Chairman and Co-Chief Executive Officer
Power Corporation of Canada

Alan J. Dilworth, F.C.A. (2)
President
Alan J. Dilworth Consulting Inc.

Wanda M. Dorosz (4)
President, Chief Executive Officer and Managing Partner
Quorum Group of Companies

Robert Gratton (1,4,5)
Chairman of the Board
Investors Group Inc.
President and Chief Executive Officer
Power Financial Corporation

James L. Hunter, F.C.A. (1)
President and Chief Executive Officer
Mackenzie Financial Corporation

Daniel Johnson (1,4)
Counsel
McCarthy Tétrault

The Right Honourable Donald F. Mazankowski, O.C., P.C. (1,2,4)
Company Director

John S. McCallum (2,3)
Professor of Finance
University of Manitoba

Raymond L. McFeetors
President and Chief Executive Officer
The Great-West Life Assurance Company

R. Jeffrey Orr (1,4)
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Investors Group Inc.

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Michel Plessis-Bélair, F.C.A. (1,2,4)
Vice-Chairman and Chief Financial Officer
Power Corporation of Canada

Susan Sherk (1,3,5)
Senior Human Environmental Consultant
AMEC plc.

Gérard Veilleux, O.C., D.U. (3)
President
Power Communications Inc.

Committees

1. Executive Committee
   Chair, Robert Gratton
2. Audit Committee
   Chair, The Right Honourable Donald F. Mazankowski, O.C., P.C.
3. Public Policy Committee
   Chair, Susan Sherk
4. Investment Committee
   Chair, Robert Gratton
5. Compensation Committee
   Chair, Robert Gratton

Executive Management

INVESTORS GROUP INC.

R. Jeffrey Orr
President and Chief Executive Officer

Gregory D. Tretiak
Executive Vice-President, Finance

Raymond D. Dallaire
Senior Vice-President, Investors Group Financial Services Inc.

Murray D. Kilfoyle
Senior Vice-President, Client Services

Robert C. Murdoch
Senior Vice-President, Investors Group Financial Services Inc.

Kevin E. Regan
Senior Vice-President, Marketing and Consultant Services

Donald W. Smith
Senior Vice-President, Human Resources

W. Terrence Wright, Q.C.
Senior Vice-President, General Counsel and Secretary

Murray Taylor
Executive Vice-President, Financial Services Division

Gary Wilton
Executive Vice-President, Client and Information Services

Alan Joudrey
Senior Vice-President, Banking Products and Services

Mark Kinzel
Senior Vice-President, Investors Group Financial Services Inc.

Robert O'Keefe
Senior Vice-President, Investors Group Financial Services Inc.

Ronald D. Saull
Senior Vice-President and Chief Information Officer

John Wiltshire
Senior Vice-President, Product and Financial Planning

MACKENZIE FINANCIAL CORPORATION

James L. Hunter, F.C.A.
President and Chief Executive Officer

Laurie J. Munro
Executive Vice-President, Strategic and Business Planning

David B. Feather
President, Mackenzie Financial Services Inc.

Edward L. Merchand
Senior Vice-President and Chief Financial Officer

Todd E. Backman
Executive Vice-President, Mackenzie Financial Services Inc.

B. Ann Savege
Senior Vice-President

Philip F. Cunningham
Chairman, Mackenzie Financial Services Inc.

Peter Dawkins
Executive Vice-President and Chief Investment Officer

W. Sian B. Brown
Senior Vice-President, General Counsel and Secretary

Frederick H. Sturm
Chief Investment Strategist

Terrence N. O'Sullivan
Executive Vice-President, Mackenzie Financial Services Inc.

I.G. INVESTMENT MANAGEMENT, LTD.

A. Scott Penman
President and Managing Partner

Alan Brownridge
Managing Partner

Domenic Grestoni
Managing Partner

MRS GROUP OF COMPANIES

Andrew H. Dalglish
President and Chief Executive Officer, MRS Group of Companies

Allan M. Warren
President and Chief Executive Officer, M.R.S. Trust Company

Theresa E. Currie
Vice-Chairman, Multiple Retirement Services Inc.

W. Scott Sinclair
President and Chief Executive Officer, Multiple Retirement Services Inc.

Shareholder Information

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Winnipeg, Manitoba
R3C 3B6
Telephone: 204 943 0361
Fax: 204 947 1659

AUDITORS

Deloitte & Touche LLP

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada
Telephone: 800 564 6253
Fax: 866 249 7775

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Toronto, Ontario M5J 2Y1

510 Burrard Street, 2nd Floor
Vancouver, British Columbia
V6C 3B9

1190-201 Portage Avenue
Winnipeg, Manitoba
R3B 3K6

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Shares of Investors Group Inc. are listed on the Toronto Stock Exchange under the following listings:
Common Shares: IGI
First Preferred Shares, Series A: IGI.PR.A

ANALYST CONTACT

For additional financial information about the Company, please contact:
Gregory D. Tretiak,
Executive Vice-President, Finance
Telephone: 204 956 8748
Fax: 204 956 1446
greg.tretiak@investorsgroup.com

SHAREHOLDER INFORMATION

For additional information about the Company, please contact:
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corpsec@investorsgroup.com

Si vous préférez recevoir ce rapport en français, veuillez vous adresser au
Secrétaire de Groupe Investors Inc.,
One Canada Centre,
447 Portage Avenue,
Winnipeg, Manitoba R3C 3B6

ANNUAL AND SPECIAL MEETING

The Annual and Special Meeting of Investors Group Inc. will be held in the Muriel Richardson Auditorium, Winnipeg Art Gallery, 300 Memorial Boulevard, Winnipeg, Manitoba on Friday, April 30, 2004 at 11:00 a.m. Central Daylight Time.

NORMAL COURSE ISSUER BID

The Company has renewed its Normal Course Issuer Bid through the facilities of the Toronto Stock Exchange from February 22, 2004 to February 21, 2005. During the course of the Bid, the Company intends to purchase for cancellation up to but not more than 13,208,542 common shares, being approximately 5% of its outstanding capital. Shareholders may obtain a copy of the Bid, without charge, by contacting the Corporate Secretary's Department at the Company's Head Office.

WEBSITES

Visit our websites at
www.investorsgroup.com
and
www.mackenziefinancial.com

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